S. PRT. 98-204

[COMMITTEE PRINT]

A PLAN TO ESTABLISH AN INDEPENDENT AGENCY FOR SOCIAL SECURITY

A study prepared for the Committee on Ways and Means, United States House of Representatives and the Committee on Finance, United States Senate, pursuant to P.L. 98-21

BY THE

Congressional Panel on Social Security Organization

JUNE 12, 1984

U.S. GOVERNMENT PRINTING OFFICE

35-323 O WASHINGTON : 1984

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402

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CONGRESSIONAL PANEL ON SOCIAL SECURITY ORGANIZATION

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June 12, 1984

The Honorable Dan Rostenkowski
Chairman, Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Social Security Amendments of 1983, P.L. 98-21, established a joint study panel under the authority of your committee and the Committee on Finance of the United States Senate to undertake a "thorough study with respect to the implementation of removing the Social Security Administration from the Department of Health and Human Services and establishing it as an independent agency in the executive branch with its own independent administrative structure, including the possibility of such a structure headed by a board appointed by the President, by and with the advice and consent of the Senate."

The law directed the Panel to address, analyze, and report on 1) the manner in which the transition to an independent agency would be conducted, 2) the authorities which would have to be transferred or amended in such a transition, 3) the program or programs which would be included in the new agency, 4) the legal and other relationships of the new agency with other organizations, and 5) any other details which may be necessary for the development of appropriate legislation to establish the Social Security Administration as an independent agency.

Pursuant to this mandate, the Panel hereby transmits its Report of the findings of our study, including our recommendations for the program responsibilities, administrative structure and the management authorities most appropriate for an independent Social Security Administration. The Report also includes a suggested transition plan and a draft bill implementing our recommendations.

330 C STREET, S.W. ROOM 1310 WASHINGTON, D.C. 20201

We would like to thank the Committee for its support of the Panel's work.

Sincerely,

Elmer B. Staats,
Chairman

Martha Derthick,
Member

Arthur E. Hess,
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Enclosure

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ON SOCIAL SECURITY ORGANIZATION

ELMER B. STAATS, Chairman
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June 12, 1984

The Honorable Robert Dole
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

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PREFACE

The Congressional Panel on Social Security Organization was established by Public Law 98-21, the Social Security Amendments of 1983. The Panel was directed to undertake a "thorough study with respect to the implementation of removing the Social Security Administration from the Department of Health and Human Services and establishing it as an independent agency in the executive branch with its own independent administrative structure, including the possibility of such a structure headed by a board appointed by the President, by and with the advice and consent of the Senate." (Appendix A includes the section of P.L. 98-21 that mandates the Panel's study. It also includes an excerpt from the Conference Report and excerpts discussing the Social Security Administration as an independent agency from two recent national commissions set up to study social security.)

P.L. 98-21 directed the Panel to report the findings of its study, together with any recommendations it considers appropriate, to the Committee on Ways and Means and to the Committee on Finance. In addition, the authorizing amendments specified that the Panel's study should consider:

- the manner in which the transition to an independent agency would be conducted;
- the authorities which would have to be transferred or amended in such a transition;
- the program or programs which would be included within the jurisdiction of the new agency;
- the legal and other relationships with other organizations which would be required of an independent social security agency; and
- any other details necessary for the development of legislation setting up an independent agency.

While the House-passed version of the 1983 amendments called for a study of the "feasibility" of an independent agency, the Senate version and the final bill specified clearly that the Panel's study should concentrate on "implementation" of an independent social security agency.

Consistent with the instructions of the law, the Panel has not weighed the merits of independence for the Social Security Administration as compared to its continued presence in the Department of Health and Human Services. Though the Panel's recommendations presume independence, they should not be interpreted as an endorsement of it. Nor does the Panel endorse retention within the Department of Health and Human Services.

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CHAPTER I.—OVERVIEW

I. THE AGENCY AND ITS PROGRAMS

The Social Security Administration [SSA] is one of the largest Federal agencies, with 84,000 employees in its central offices and at more than 1,300 field offices and regional operating centers throughout the nation. Federal benefit payments and SSA's other expenditures for fiscal year 1985 are estimated at $200 billion, of which 1.75 percent pays for administration. SSA estimates that in 1985 the programs it administers will send about 600 million checks to some 40 million recipients. In addition, the agency will process 6.2 million new claims for benefits and take nearly 60 million actions to keep the benefit rolls current.

The vast majority of SSA's resources are expended in carrying out its program responsibilities for the old-age, survivors, and disability insurance [OASDI] programs and the supplemental security income [SSI] program. Social insurance paid through OASDI programs provides primary cash benefits for retired and disabled workers and their survivors and dependents, and the SSI program provides a uniform Federal benefit to needy aged and disabled persons with little or no other income and resources.

SSA also administers part of the black lung program and has oversight responsibility for the programs of aid to families with dependent children [AFDC], child support enforcement [CSE], refugee resettlement, and low income home energy assistance. Benefits and services under these latter four programs are generally provided by State and local governments; SSA is responsible for insuring State compliance with Federal law and regulation. Finally, SSA also provides administrative services to other Federal agencies for which it is reimbursed. In fiscal year 1983, SSA utilized 87,900 workyears on OASDI and SSI (98.4 percent of total workyears) and 1,400 workyears on AFDC, CSE, and other programs. (See Appendix E for a concise history of the programs and organizations of SSA.)

Prior to the midseventies, SSA was considered one of the premier Federal administrative agencies for operating efficiency and quality of public service. Since then, for a number of reasons, SSA has lost its public reputation for administrative excellence. During the past decade SSA:

- experienced serious problems in implementing the major welfare reform provisions of the SSI program;
- was unable for a prolonged period to take decisive and sustained action to upgrade its deteriorating computer systems, which threatened the agency's ability to carry out its mission;
- took corrective action to reduce erroneous benefit payments and to decrease delays in processing backlogs of earnings reports

only after such administrative failings had received widespread public attention and criticism;
- bore the brunt of a decline in public confidence in social security resulting from the two major financial crises the program faced in the late seventies and early eighties;
- became inundated with appeals and mired in conflicts with the States and Federal courts over the administration of congressionally mandated reviews to determine continuing eligibility of disabled beneficiaries, large numbers of whom successfully appealed the loss of benefits;
- was subjected to congressional and other complaints that the quality of public service was declining;
- was unable to maintain a strong sense of organizational mission due, among other reasons, to frequent turnover of top level managers and disruptive internal reorganizations.

Concurrently, the social security programs became newly vulnerable to critical attention from political leaders—Presidents, Secretaries of Health and Human Services, Members of Congress—because, rather than being reliably self-supporting, they were unpredictably threatened with well-publicized revenue shortages. Furthermore, in an era of sustained high inflation and very large Federal budget deficits, Presidents of both parties have placed particular emphasis on the need to control Government spending, especially in entitlement programs, and, for the first time in their history, the social security programs became the target of cuts. Because they account for so large a share of domestic spending in the Federal budget (30 percent in 1985), because their outlays have grown rapidly (from $30.9 billion in 1970 to nearly $200 billion in 1985), and because the financial condition of the trust funds depends heavily on the performance of the economy, the social security programs will undoubtedly remain under scrutiny and susceptible to controversy.

National debates over social security's financing problems apparently have undermined public confidence in the social security programs. For example, a poll conducted by Peter D. Hart Research Associates in 1980 found that 61 percent of nonretired respondents had little confidence that funds would be available to pay their retirement benefits. Almost three-quarters of those between 25 and 44 expressed such doubts. However, bipartisan legislation in 1983 shored up the program's financing. Actuarial estimates in the 1984 report of social security's Board of Trustees, assuming moderately favorable economic and demographic conditions, show the programs to be adequately financed through the next 75 years. Indeed, if realized, these assumptions would result in a large buildup of the trust funds from the early 1990s until the baby boom generation begins to retire in about 2010. This large trust fund balance would help to finance benefit payments in the middle decades of the next century and is necessary to show long-run actuarial balance in the program.

II. PROPOSALS FOR INDEPENDENCE

Bills to make SSA independent of the Department of Health and Human Services [DHHS] were introduced in Congress starting in

the early seventies. Congress took no action on them, but mandated the present study after two national commissions addressed the question of independence.

The National Commission on Social Security, established pursuant to the 1977 social security amendments, recommended in 1981 that an independent agency be created in the belief that "significant improvements in the operation of social security and related programs and the public's understanding of those programs would result." The majority of members of the National Commission on Social Security Reform [the Greenspan Commission] concluded, in 1983, "as a broad, general principle—that it would be logical to have the Social Security Administration be a separate independent agency, perhaps headed by a bipartisan board." It noted, however, that it had not had time to look into the various complex issues involved in establishing an independent agency and recommended a separate study.

Most proposals for independence have recommended a bipartisan, three-member board as an organizational form. This was SSA's original organization, and it prevailed from 1935 until 1946, when, under a reorganization plan of the Truman administration, the board was superseded by a single administrator. Proponents argue that a bipartisan, plural executive would tend to insulate the social security programs from sudden, imprudent shifts in policy and would restore public confidence in the programs. Because there is a historical precedent for this form, and because it has current advocates, the Congress specifically asked the Panel to consider it. Were a board to be established, it would be in charge of both policymaking and administration for social security, and it would appoint an executive head of the program to whom responsibility for administration would be delegated.

III. CRITERIA FOR ANALYSIS AND CHOICE

At the beginning of its study, the Panel agreed on criteria it would use to guide analysis of options to be considered and issues to be resolved in setting up an independent social security agency. These criteria were made available for comment to experts on government organization and management, to DHHS, and to interested groups representing SSA employees and senior citizens. Then the Panel held six public meetings and heard from 53 expert witnesses (listed in appendix D) as a means of gathering information and advice, as well as comments on the Panel's proposed decision criteria. The following are the principal tests to which the organizational principles for an independent social security agency were subjected:

Operational efficiency and effectiveness

SSA is a large Federal agency with operations that affect virtually every citizen. Efficient and effective administration of the social security programs—its core functions—represents a major national priority.

Policy coherence

Coordination among the Federal Government's income support programs is highly desirable and may be affected by the distribution of functions among and within agencies of the executive branch.

Accountability

It is a fundamental principle of our democratic system of government that executive agencies shall be accountable to political leaders, who in turn are made accountable to the electorate by means of regular and frequent elections. Supervision of executive agencies in the Federal Government comes from many sources. It is carried out by Presidents, their immediate staffs, and the control agencies of the executive branch; by Congress and its staff agencies, including the General Accounting Office [GAO]; by the courts; and even to some extent by citizens and public interest groups. One of the Panel's central concerns was to assure full accountability of the social security agency to the Congress and the President, while at the same time achieving an appropriate balance within the executive branch between central controls and managerial discretion.

Continuity of leadership

SSA has had nine Commissioners in the past dozen years; four of the nine, including the incumbent, have served only in an acting capacity. SSA has undergone several reorganizations since 1975, one result of which was to encourage departures of top-level personnel. This experience seriously disrupted the organization and adversely affected the morale of its employees, and it is in sharp contrast to SSA's previous history during which its leadership was exceptionally stable. No organization can perform well if it undergoes incessant changes of top staff and leadership. It is urgent to restore to SSA at least that degree of stability in its executive leadership implied by the President's constitutional term of 4 years and to provide for longer term stability in its corps of policy and management officials.

Public confidence

Because advocates of independence for SSA have argued that a change of organizational form would improve public confidence in the social security programs, the Panel sought to weigh the possible effects of various organizational changes on public perceptions. It has concluded that confidence depends, in the last analysis, on the fundamental financial soundness of the programs and on the public's perception that changes in the programs are made with due regard for both their immediate and long-term effect on the benefit structure.

The Panel did not attempt to order these criteria in importance, and it recognizes that in practice some of them may conflict. For example, the effort to improve the accountability of executive agencies in our Government fosters extensive central controls over such activities as hiring and promotion practices, major procurements, and acquisition and management of office space—detailed controls that, when imposed from a Government-wide perspective upon any

particular agency, are likely to result in inefficiencies. Nevertheless, to the extent possible, the Panel's recommendations attempt to satisfy all of these criteria.

IV. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

The recommendations of the Panel, stated below, are explained in subsequent chapters of this report. In addition, a draft bill to establish an independent agency and a suggested transition plan are included as appendices B and C. The Panel's recommendations are:

- **To assure a coherent operational mission, a newly independent social security agency should be responsible for administering the old-age, survivors, and disability insurance and the supplemental security income programs. Other programs now administered by the Social Security Administration should remain in the Department of Health and Human Services. No program (including medicare) currently administered by another agency should be brought into the social security agency (chapter III).**
- **To achieve accountability and management effectiveness, the new social security agency should be headed by a single Administrator of high rank, with a statutory term of 4 years, eligible for reappointment. The Administrator would report to and be appointed by the President by and with the advice and consent of the Senate. This Administrator should have proven competence as a manager of large organizations and knowledge of Federal Government operations. The position of Administrator should be established at Executive Level II, with concomitant authority and enhanced administrative and professional stature so as to encourage continuity in top management (chapter IV).**
- **To promote independent review and encourage broadly based policy analysis, a permanent Social Security Advisory Board should be established within the new agency. Its functions would be to oversee management and assess policy issues in social security and to advise the Social Security Administrator, the President, and the Congress on important developments. Some of the more important functions of the Board would be: (1) To make independent assessments of the annual reports of the Board of Trustees, major studies on social security, and proposed legislation; (2) to engage in public dialog and education about social security; and (3) to suggest to the President names to consider in selecting his nominee for the position of Social Security Administrator. This Board would consist of nine members, no more than five of whom may be of the same political party. Five of the members would be appointed by the President (no more than three from the same political party), and, to reinforce bipartisanship and congressional participation, two of the Board members (one from each political party) would be appointed by the Speaker of the House, and two other members (one from each party) would be appointed by the President pro tempore of the Senate. All Board members would be subject to Senate confirmation. They would be appointed for 6-year terms, with stag-**

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gered terms for the initial Board members, and would be eligible for reappointment. The Board Chairman would be designated by the President. This Board would be part time, with regular meetings held at least bimonthly (chapter IV).

- To strengthen the management of the new social security agency and to improve operational accountability, the Congress should delegate to the Social Security Administrator selected management authorities available under current law. Specifically, Congress should direct delegations of essential authorities from the General Services Administration and the Office of Personnel Management for: (1) Automated data processing/information resources management, (2) administrative services, and (3) personnel management. Furthermore, the Congress should enact legislation providing the Social Security Administrator greater flexibility in budget formulation and execution. Specifically, the agency's budget should be submitted to Congress biennially, and the personnel requirements included in its administrative budget should be based on a workforce plan rather than on personnel ceilings. At the earliest practical date following enactment of legislation the President should select an Administrator for the agency. In the interim, the Commissioner or Acting Commissioner of Social Security would serve as Acting Administrator and would establish a transition task force and conduct the transition until such time as the Administrator is confirmed. The Acting Administrator would also begin to develop a plan and negotiate criteria to evaluate the results achieved by the newly constituted Agency and would begin to negotiate appropriate oversight roles for the central management agencies (chapter V).

CHAPTER II.—THE SOCIAL SECURITY ADMINISTRATION: ITS MISSION, CHALLENGES, AND PROBLEMS

I. INTRODUCTION

In the course of its study, the Panel was impressed by SSA's unique mission and by its accomplishments, under often adverse circumstances. At the same time, the Panel received evidence of serious and widespread problems affecting SSA's ability to fulfill its mission, serve its clientele, and operate efficiently and effectively. In addition to testimony from witnesses, the Panel had access to numerous official and semiofficial evaluations of SSA's operations conducted by the GAO, the President's Private Sector Survey on Cost Control (the Grace Commission), the Congress (in oversight hearings), and private contractors. Based on these assessments the Panel concludes that the correction of widespread operational problems and planning for the future constitute major managerial challenges for the social security agency, whether it is made independent of DHHS or remains inside the Department.

SSA's network of field offices is an important contact point with the Federal Government for a large and growing share of the population. Except possibly for the Internal Revenue Service [IRS], no other Federal agency touches so many people or has so direct and profound an effect on their daily lives. Accuracy and reliability of payments, responsiveness to public inquiries, and the accessibility of local offices all can vitally affect the well-being of the public and influence its perception not just of SSA but of the Government as a whole.

While some contacts in SSA field offices are routine, many are highly significant and fraught with emotion—applications for survivors or disability benefits, for example. Even those that are routine are often time consuming and complex and add to the stress and high activity level generally found in social security offices. At any given moment the waiting room may include:

- a retiring household worker who is there to apply for her social security benefits and for SSI as well as for medicare (and to have medicaid and food stamps explained to her for possible referral to the local welfare office),
- an unemployed 62-year-old who has come to apply for retirement benefits but is concerned about how the work test would affect those benefits if he should get a part-time job,
- a disabled beneficiary called in for a continuing disability review,
- a frazzled mother with raucous youngsters trying to acquire social security account numbers in order to establish bank accounts for them,
- an uneducated itinerant called in for an annual redetermination of his SSI eligibility,

- an elderly widow whose monthly benefit check did not arrive on time and who fears that it may have been stolen from her mailbox,
- a bewildered octogenarian with a spate of medical bills who needs help in filing for medicare reimbursement,
- an irate beneficiary who cannot understand the notice he has received informing him that he has been overpaid,
- a grieving widower who is unsure whether his deceased wife worked long enough for social security coverage and whether his teenage daughter will receive benefits.

The agency's mission, the operational and management deficiencies that have been documented, and the challenges facing it conclusively demonstrate the need for legislative action to strengthen SSA and bring it to operational and management excellence. This major challenge will require concentrated efforts over a long period of time from both the executive branch and the Congress.

II. THE MISSION OF SSA

Sooner or later in the course of a lifetime virtually everyone deals with SSA. To grasp the operational challenge the agency faces, one must appreciate the social significance and tremendous volume and complexity of its work.

- The issuance and proper authentication of original and replacement social security cards have taken on great signficance with the ever-increasing uses of the social security account number. The numbers are now used for employment and tax purposes, identification of bank accounts and various financial transactions, school identification, drivers licenses, and other public and private uses. SSA issued over 6.7 million new social security cards last year and issued another 6.6 million duplicate or replacement cards. Upgrading the issuance procedures and maintaining the integrity of the account number system is one of SSA's primary obligations.
- SSA must receive, process, and keep up to date earnings records of virtually everyone in the country who is employed. This information is used to establish eligibility for and determine the amount of social security benefits. The wage reporting system was changed in 1978 from a quarterly to an annual process—a monumental change that was accomplished in a relatively short time. Since SSA now processes W-2 forms for both SSA and IRS purposes, its operations in this area are also essential for verification of tax liability. For 1983, SSA will have received and posted about 170 million reports of earnings for 117 million workers.
- Social security benefits form a basic part of the personal financial planning of most workers and their families, and medicare provides the underpinning for their health care in old age and disability. People of all ages seek information from SSA about how social security and medicare will affect them. Last year, SSA received about 40 million inquiries from the public throughout the country. Over 50,000 of these were special con-

gressional inquiries on behalf of constituents seeking assistance.

- While about half the country's population are active workers whose earnings are recorded by SSA and whose social security taxes finance benefit payments, almost 1 of every 6 persons, or about 36 million people, currently receive social security benefits or are covered by medicare. In addition, some 3.9 million beneficiaries receive monthly SSI benefits, including 2 million persons who receive no social security benefits. The programs which form the core of SSA's responsibilities represent critical income support to some 40 million people, and issuance of a correct and timely payment to each person is the agency's paramount objective. In fiscal year 1983, SSA received and processed over 5.5 million applications for benefits and added 3.7 million people to the social security benefit rolls, 1.7 million to the medicare rolls, and 0.4 million to the SSI rolls. In the years ahead, as the population grows and ages, these numbers will increase.
- The beneficiary population is a diverse and changing group, and the benefit provisions of SSA's programs have become exceedingly complex. Insuring the accuracy of the monthly payment of each person on the rolls constitutes one of SSA's biggest continuing challenges. Of the 36 million beneficiaries, 2.9 million are disabled workers and their spouses, 3.6 million are children, 5.1 million are widows and widowers, and 24.4 million are retired workers and their spouses. Each beneficiary category has specific entitlement and termination provisions to be tracked, and some provisions are applicable to all categories. Some beneficiaries have earnings that affect their social security benefits, and SSA has to deal with 1.2 million reports of beneficiary earnings every year. SSA must keep track of remarriages, new addresses, deaths, and many other changes in order to pay proper benefits. In 1983, SSA processed almost 66 million such changes. Reviews of continuing eligibility for disability benefits and for SSI benefits normally involve about 3.8 million annual redeterminations of status under these programs.

The work of the agency is performed by 84,000 employees in 1,300 field offices, 10 regional offices, 6 program service centers, and the central office complex in Baltimore. While SSA's mission centers around issuing account numbers, maintaining earnings records, and making benefit payments, the agency also has significant staff support functions. These functions are complex and essential to SSA's operating mission:

- Programmatic support functions: Policy analysis and legislative development, research and statistical studies, regulations development, actuarial analysis, quality control and appraisal, prevention of fraud and abuse, an independent process of fair hearings and appeals, and analysis and development of systems methods and procedures.
- The usual administrative staff services such as: Budget formulation and execution, personnel and labor relations, manage-

ment planning and analysis, and facilities and material resource management.

III. SSA'S OPERATING AND MANAGEMENT PROBLEMS

The efficient and effective delivery of public service, timely and accurate benefit payments, and accomplishment of all of SSA's program and operating responsibilities depend ultimately on the quality of the agency's managers and its employees. Strong managers, dedicated workers, and effective procedures and tools are necessary for SSA to produce first-class work. Despite its efforts, SSA has, in the critical areas listed below, been unable to resolve numerous operating and management problems or to act on opportunities for improved performance and productivity—often for reasons beyond the agency's control. The result has been labor-intensive, error-prone operations and lost opportunities for improved public service.

Computer system deficiencies

Despite its large computer installations, many of SSA's complex operations are basically labor-intensive, manual processes because the agency has not adequately kept up with state-of-the-art computer technology. The extent to which computer technology is applied to SSA's workloads varies: Generally, the vast majority of routine claims transactions are automated, but complex transactions frequently require substantial manual processing. Hence, a large segment of the work force is engaged in manual processing of work that logically should be automated. A 1979 report from Bolt, Beranek, and Newman, Inc., analyzed the impact of computer assistance on SSA field office operations (where about 40,000 people are employed) and identified activities that could be automated with ultimate savings of about 10,800 positions. The six program service centers across the country (which employ about 15,000 people) and the Baltimore-based central records and disability operations (which employ over 11,000 people) are other labor-intensive operations using manual processes that could be automated.

Notwithstanding numerous studies and efforts over the past decade, SSA has not increased automation in its manual processes at a pace fast enough to keep ahead of growing workloads. In 1975, Commissioner James B. Cardwell formed the Office of Advanced Systems [OAS] to comply with President Ford's request in 1974 that SSA review its systems. Improved technology was expected to offset dependence on ever-increasing numbers of employees to perform new functions assigned to the agency. OAS proposed extensive automation, such as computer terminals on field office employees' desks beginning in the early 1980s. However, after spending about $17 million, SSA abandoned this effort in 1979. In 1977, SSA initiated an effort outside of the OAS project to redesign some of its systems in order to realize substantial improvements in computer system support. On February 6, 1981, GAO reported that although substantial effort and resources were invested in this "RSDHI redesign project," it was largely unsuccessful. Inadequate planning and management of the project and inadequate validation of changes were the primary reasons for the project's failure.

In early 1982, Commissioner John Svahn published a Systems Modernization Plan [SMP] for overhauling SSA's systems through the use of modern technology. The early stages of the SMP have been vague on when and how it will integrate SSA's programs and eliminate the inefficient, manual, error-prone processes that exist due to current systems limitations. GAO's May 28, 1982, report on the SMP pointed out that SSA continues to lack an agencywide long-range planning process, and this could prevent the SMP from responding adequately to future agency and program needs. Acting Commissioner Martha McSteen recently initiated efforts to remedy SSA's deficiencies in long-range planning.

The SMP is SSA's latest effort to modernize its computer systems. Although computer hardware has been significantly upgraded under the SMP, the greatest improvements in efficiency and effectiveness from modernization will come from automating labor-intensive processes. Implementation of these improvements will demand skillful management because of the substantial changes required in SSA's operations and the consequent trauma such changes may have for the organization and its employees.

Management information system deficiencies

SSA's management information systems are fragmented, uncoordinated, and limited in coverage, and they generally do not provide timely, accurate, and reliable information to those individuals who can take direct action to resolve problems. For example, the only systematic measurement of the quality of public service consists of data on the processing time and accuracy of initial claims workloads. However, these data are not statistically reliable at the individual office or employee level and by themselves go only part way in assessing the quality of public service. Managers in SSA's field offices have to develop and operate manual information systems to manage workloads and staff because the existing systems do not meet their needs.

Over the past decade, SSA has improved some data and reports produced for the agency's managers. Further necessary improvements in management information systems will require improvements in SSA's computer systems. SSA's efforts to modernize its systems have included management information as a secondary priority and have not yet been completed. However, Acting Commissioner McSteen has recognized the deficiencies in the present management information systems and has made the design and implementation of reliable systems one of SSA's major objectives for the next 5 years.

SSA staffing problems

SSA's problems in hiring, training, and retaining highly skilled technical personnel to design and install computer systems have been widely publicized. However, the agency also has problems with staffing in its field offices, the critical points in the delivery of quality public service. Personnel ceilings and the court-ordered ban on the Professional and Administrative Career Examination [PACE] for recruitment have made it difficult to acquire high caliber staff for career entry jobs at a time when the complexity and difficulty of SSA's work are increasing. SSA is either not competi-

tive in the salary it can pay or cannot offer career positions to good candidates. It has thus been forced to rely primarily on internal promotions of clerical employees to fill its technical and professional ranks in the field offices. Yet, according to some office managers, the pool of promotable clerical employees has been depleted.

Over the years, SSA's work has become more complex, and its need for high quality staff has increased. Inadequate computer system support has increased the amount of manual work and made the programs more difficult to administer. Problems with the quality and utility of SSA's instructions, forms, and training and with inadequate office space further contribute to a difficult work environment. A September 1983 report by the private consulting firm Deloitte, Haskins, & Sells under an SMP contract pointed out that there are "problems in developing and maintaining high employee morale and proper organizational attitudes."

Policy and procedural instructions problems

The volume of new or changed instructions often overwhelms field office personnel. Due to continuing legislative and court-ordered programmatic changes, administration of the social security programs has become extremely complex. While administrative complexity is an inherent feature of large government programs, SSA's system for issuing instructions to the field, designed to carry out these mandated program changes, is disorganized and confusing. As a result the field office work environment has become needlessly complex, and the current utility of many changes in instructions is marginal. (Acting Commissioner McSteen has made improvement of programmatic issuances one of her principal long-range objectives.)

In 1978, SSA began an effort to consolidate over 200 manuals into a comprehensive Program Operations Manual System [POMS] in response to employee complaints that there were too many instructions from too many sources. The Grace Commission reported that POMS is a large (some 25,000 pages over 4 feet thick) comprehensive document with over 12,000 revisions in 1 year. Operating personnel do not have time to read and file all of the revisions and amendments. POMS issuances are frequently amended by bulletins which are not in the POMS format and do not replace pages in POMS.

In July 1977, field office employees reported that the part of their job they liked the least and spent the least time on (but felt they should spend more time on) was keeping current with instructions. If in fact employees are unable to keep current on instruction changes, there is a danger that SSA's national programs may not be uniformly administered.

Office space problems

Convenient location, adequate waiting areas, privacy for interviews, and an overall businesslike office appearance are desirable for SSA's field offices. However, SSA must rely on the General Services Administration [GSA] for its office space needs, and GSA's response has been lethargic and erratic. GSA's criteria and agenda have taken precedence over SSA's mission and operating needs, limiting SSA's ability to conduct its operations. Despite pressure on

GSA from SSA, including the loan of SSA personnel to reduce backlogs of space requests, and from the Congress in hearings conducted in 1980 and 1981, GSA has provided more promises than service. Improvement in service in fiscal year 1982 was not sustained in 1983. According to one SSA Regional Commissioner, as of February 1984 the number of critical office space cases is increasing, and GSA is failing to provide even marginally acceptable service.

IV. FUTURE CHALLENGES

SSA must remedy these operational deficiencies. Furthermore, the agency must be ready to respond to even more challenging future changes in technology and a rapid growth in caseloads (the number of beneficiaries will more than double over the next 50 years). Among the many policy and operational issues that SSA will face, the Panel believes that three critically affect program operations and management:

Designing, implementing, and maintaining state-of-the-art computer-based operational and information support systems

Meeting this challenge is essential to the agency's administrative mission. In addition, successful implementation will have a major impact on the type and number of personnel the agency employs. As computerization progresses, difficult issues of personnel recruitment, training and redeployment will face this large agency, including a possible need to decentralize certain large operations.

Defining and achieving an acceptable level of public service

The establishment of appropriate service levels for applicants and beneficiaries represents a continuing challenge for SSA. How far should the aged and the disabled have to travel to reach a social security office? How long should they expect to wait in an office? How much assistance should be provided in obtaining necessary documents? How long should it take from filing of an initial claim to receipt of the first payment? What is an acceptable error rate? What should the public reasonably expect in terms of personalized attention from an agency that will necessarily become more automated in the future? In recent years, the answers to such questions have been largely budget driven. For example, SSA arranges for payments to third parties who agree to act on behalf of beneficiaries unable to manage their own funds. Recently, due to insufficient funding, SSA's monitoring program to insure that the payments actually are being used for the benefit of the intended recipient has been dormant. As a result, pressures have been brought to bear through court cases and legislative proposals to restore a reasonable level of representative payee accountability.

In general, there appears to have been very little articulation of what the desired levels of public service should be, and thus there are no well-formed goals in this area. Some witnesses before the Panel advocated that the social security field offices become one-stop service centers—central locations for citizens to receive or inquire about the range of possible services available from the entire spectrum of government human services programs, even beyond

services to the elderly and disabled and beyond Federal programs. While the concept has an intuitive appeal, creating such a one-stop service network would be complicated and expensive.

The Grace Commission study of SSA recommended reducing the number of field offices from 1,300 to 500. This would tend to reduce face-to-face interviews (because of the inconvenience of traveling greater distances) as a way to respond to inquiries from beneficiaries and the public. Increased depersonalization of service would result since larger offices would lend themselves to the mass handling of claimants and would place greater reliance on mail and telephone service. In general, establishing proper national policy requires careful consideration of how the agency defines public service and the level it should provide.

Implementing new legislation

Most legislative changes affect program operations and management. During the past 10 years SSA has experienced successes and failures—with the latter attributable not only to insufficient lead time and a lack of adequate congressional recognition of the administrative burdens imposed by some legislative provisions, but also to insufficient tools and manpower. For example, the provision in the 1983 social security amendments that taxes social security benefits of some recipients also mandates that each beneficiary be provided an annual statement of his benefits. As a result, field office workloads will rise, as thousands of beneficiaries, most of whose tax liabilities will not be affected, visit the offices for explanations. SSA will have to meet this challenge during a period of already high workloads without any additional staffing.

The Panel believes that the foregoing major tasks constitute the most immediate operational and management challenges facing the agency, but beyond them lie new additional policy issues that in turn will create new administrative burdens. As these policy issues are considered in the executive branch and the Congress, the agency must provide leadership in evaluating their programmatic and administrative consequences.

Equity for women

The appropriate level of benefits for women is a major policy issue. Because of increased labor force participation by women, high divorce rates and other social, demographic, and economic forces, the system of auxiliary benefits established for social security in 1939 is increasingly perceived as inadequate or inequitable. Also, elderly women constitute one of the poorest groups in the total population, which heightens concern about the level of social security benefits for women. An extended debate is likely over potential changes in the benefit structure. One such change involves the sharing of earnings between spouses and would greatly increase administrative complexity.

Proper age for full-benefit retirement

Increasing longevity raises questions about the normal retirement age of 65. The 1983 social security amendments raised the full-benefit retirement age in the next century and called for a long-range study of the effects of doing so. Social security affects

incentives for continued work in old age through reduced benefits for early retirement, the retirement earnings test, and credits for retirement delayed past 65. Resolution of this issue could lead to changes in the benefit structure.

Program complexity

Social security and SSI have become so complex over recent years that it is difficult for the public to comprehend its rights and duties under the programs and for SSA employees to administer them. These complexities have resulted largely from legislative changes designed to ensure greater program equity. Program simplification, desirable from an administrative point of view, would require abandonment of certain principles of program equity and would thus raise extremely controversial policy issues.

Historically, the social security programs have been dynamic. While the programs' maturity will likely slow the pace of further changes, it will still be necessary continually to review and adjust the programs to changing social and economic conditions. Future changes will require a highly efficient, well-managed agency to implement them.

V. CONCLUSION

SSA has undergone extensive change in the last decade: Its mission was significantly altered in 1974 when it began to administer the means-tested SSI program and again in 1977 when responsibility for medicare was removed; its internal structure was revamped through major reorganizations in 1975, 1977, and 1979, and "realignments" in the early 1980s; its confidence, as well as that of the public, has been undermined by financing crises in the mid-70s and the early 1980s; its implementation of the 1980 disability insurance [DI] amendments led to chaos and severe criticism; and it has yet to bring to successful completion the decade-long struggle to design and implement a modernization program for its aging computer system.

All of these events continue to cast shadows over SSA. While it has met its basic responsibilities and has continued to pay checks on time to beneficiaries, the Panel concludes that the agency needs a period of strong, stable leadership to resolve continuing operating problems.

Without attempting to ascribe cause and effect, the Panel concludes that a variety of external and internal factors have contributed to the agency's recent state of administrative disorientation. The agency needs an organization that will minimize such problems and will support strong leadership capable of addressing the issues facing the agency—a leadership that possesses authority commensurate with its responsibility. This conclusion forms the basis for the Panel's choice of organizational forms and management authorities to recommend for the social security agency if it is made independent.

CHAPTER III.—DEFINING THE PROGRAMS FOR INCLUSION IN AN INDEPENDENT AGENCY

I. INTRODUCTION

In considering the programs to recommend for inclusion in an independent social security agency, the Panel began its deliberations with the assumption that OASDI, which the American public generally thinks of as "social security," should define the agency's basic mission. It then considered whether the new independent agency should continue to administer all the programs the present SSA does and, later, considered whether responsibility should be added for other programs not now administered by SSA, but which are programmatically or administratively related. The recommendations took account of the effect removing SSA from DHHS would have on that Department and its other programs. The Panel structured the removal of SSA so that minimum hindrance would occur to effective operation of the Department's remaining progams.

To assure a coherent operational mission, a newly independent social security agency should be responsible for administering the old-age, survivors, and disability insurance and the supplemental security income programs. Other programs now administered by the Social Security Administration should remain in the Department of Health and Human Services. No program (including medicare) currently administered by another agency should be brought into the social security agency.

These recommendations rest on the conclusion that making the new agency responsible solely for OASDI and SSI will maximize its chances of developing a coherent management philosophy and operating efficiently and effectively. By themselves OASDI and SSI represent very large and complex management and operational challenges. These programs share complementary objectives and a clientele with many common characteristics and needs. An agency responsible only for OASDI and SSI, with its more sharply focussed set of program responsibilities, offers the best chance to achieve managerial and operational excellence.

II. SUPPLEMENTAL SECURITY INCOME PROGRAM

The social security agency should continue to administer the supplemental security income program. While there are programmatic differences between the OASDI and the SSI program (particularly in criteria for eligibility and benefits and in sources of financing), program objectives and administration are closely related. Individuals establish entitlement rights to social insurance benefits by working in covered employment or self-employment for a specified period of time. Eligibility for SSI, on the other hand, depends on a showing that the applicant is poor, making it different

in principle from social insurance, for which work histories and earnings records qualify applicants irrespective of need. SSI is funded out of general revenues, whereas social security is funded by an earmarked payroll tax on earnings. Historically, administration of means-tested programs was a State responsibility separate from federally administered insurance programs. Not until 1974, when the Congress set a Federal benefit floor and established other uniform Federal standards for aiding the needy who are aged, blind or disabled (thus replacing categorical grants-in-aid to the States with a direct Federal program), did consolidated administration occur.

SSA undertook administration of the SSI program with serious reservations because of the likelihood that adding a means-tested program to one that provided benefits by right could confuse the public and overwork and demoralize the staff. It is now widely accepted that problems associated with the implementation of SSI in the mid-1970's were partly responsible for the decline in SSA's sense of mission and its operational efficiency and effectiveness.

The administration of SSI is now well integrated into SSA's operations, and there has been a great investment in achieving public and employee acceptance. Despite the differences in funding and philosophy that underlie the two programs, their purposes are complementary and there is substantial overlap of clienteles. (Some 50 percent of SSI recipients also receive social security.) As the minimum social security benefit has declined in importance as a floor of income support, the SSI program has become the primary means of insuring a minimum level of income to the elderly and disabled.

Removal of SSI from the social security agency would be highly disruptive to the program and would require setting up a new administrative mechanism. SSI is a uniform, national program—federally administered and financed. Many factors governing eligibility determinations made for OASDI are applicable to SSI, so coordination (especially of disability determinations) must be assured. If eligibility determinations, initial benefit calculations, and beneficiary monitoring and assistance were not conducted by social security offices, they would have to be done elsewhere, most likely in other Federal facilities, which would thus lead to confusion for beneficiaries and to duplicative and wasteful efforts.

III. MEDICARE

Medicare and medicaid should not be moved to the new social security agency, but should remain in the Health Care Financing Administration, an agency of DHHS. Several witnesses before the Panel recommended that medicare (and perhaps medicaid) be part of the new social security agency. (Medicare was in SSA prior to 1977.) However, other witnesses argued strongly this would be a mistake, from the point of view of both health policy and social security management. Arguments for and against placing these large Federal health care financing programs in the independent social security agency were carefully considered as the Panel received extensive testimony from persons with special expertise in the administration of health care financing. On balance, the Panel concludes that: (1) Medicare and medicaid should remain under common ad-

ministration, and (2) to place them in the social security agency would be detrimental to the sound future development not only of this agency, but of DHHS—as well as to both programs.

Major arguments advanced by those favoring an administrative reunion of social security and medicare were:

Program similarities

Medicare began as an adjunct to the social insurance programs, and most recipients consider medicare to be an integral part of their social security entitlement. Like OASDI, medicare is paid for largely by the payroll tax. Since these programs deal with basically the same client groups and rest on the same financial and philosophical foundation, which presumes that payment of payroll taxes provides insurance against loss of income and the costs of illness for those who retire or become disabled, they should be administered by the same agency.

Beneficiary services

Several witnesses testified that service to medicare beneficiaries has suffered since the program was separated from SSA. Witnesses asserted that beneficiaries have come to expect assistance and advice from SSA's district office personnel and that service for medicare beneficiaries has gradually deteriorated. SSA field staffing allotments do not adequately take this service load into account and do not generally provide for training adequate to assist individuals with technical medicare eligibility and coverage questions, especially those having to do with payments for physician services.

Administrative linkages

SSA currently performs certain operational functions for the Health Care Financing Administration [HCFA] on a reimbursable basis. These consist mainly of establishing and maintaining medicare eligibility at the social security field offices and providing certain data processing services on SSA computers, fairly routine operations that are largely byproducts of SSA's own eligibility and computer-support activities. Advocates of reuniting OASDI and medicare argue that these administrative operations would be facilitated by colocation in SSA and could suffer if the organizational distance between the two were increased.

While there is merit in these arguments, arguments against placing medicare back in the social security agency are more persuasive.

The Panel concluded that rejoining OASDI and medicare would be extraordinarily distracting and disruptive to the operations and policy development of the new social security agency. Furthermore, the organizational disruption that would accompany the transfer of HCFA's programs would damage that agency's program and policy development at a time when it needs to concentrate on improving both policy formulation and management in its own right.

The present administrative linkages between HCFA and SSA should be the subject of continued formal interagency agreements. Establishing workable relations between the social security agency and the medicare agency will not be substantially more difficult if medicare remains in DHHS while SSA is removed. This is not to

say that the Panel is unconcerned about the need to improve the quality of field service to medicare recipients. The Panel believes its recommendations will properly address the overall question of establishing and providing budgetary support for the proper level of public service to all beneficiaries, including service to medicare recipients.

Placing medicare in the social security agency would raise the question of the proper organizational placement of medicaid. The Panel believes it is crucial for these two large health care financing programs to be administered by the same agency. In the 7 years since HCFA was established, progress has been made in policy and programmatic coordination of medicare and medicaid as health financing mechanisms that deal with common provider problems. Opportunity for further progress would be enhanced by keeping them together, and transfer of both to SSA would complicate that agency's mandates.

However, the principal reason for recommending that medicare not be moved to the social security agency is that such a move would make the coordinated development of national health policy more difficult. Control of rapidly rising health care costs is certain to remain a major domestic policy issue for the foreseeable future. Medicare and medicaid now pay almost one-third of total health care costs in the United States, and changes in them influence the entire health care system. Development of Federal health financing policy must be coordinated closely with policy development concerning the quality and availability of health care and the prevention of disease. These interrelated policy functions are more likely to be well coordinated if the major health financing programs remain in the same Department with the Federal health program administered by such agencies of the Public Health Service as Centers for Disease Control, Food and Drug Administration, and National Institutes of Health. Moreover, from an organizational point of view, removing HCFA could so diminish DHHS's programs and mission as to jeopardize its departmental status.

If health care financing policy and programs were a responsibility of the social security agency, they would be an enormous drain on the social security agency Administrator's time and attention. HCFA program operations involve at least two substantial and disparate administrative processes, currently unrelated to SSA. For medicare, the payment agencies are insurance companies and other contractors that serve as intermediaries. For medicaid, the administration of the program is in State hands, and service to beneficiaries often involves concurrent dealings with contractors as well as with State welfare departments. Responsibilities for such added functions would drastically alter the internal structure of SSA and bifurcate the policy apparatus. The Panel believes that the head of the social security agency should concentrate on improving the operational efficiency and effectiveness of the social security programs, capitalizing on the streamlined focus of the new agency. Similarly DHHS programs will constitute a coherent department if HCFA remains in DHHS.

IV. OTHER PROGRAMS NOW IN SSA

The Panel recommends taking certain programs now administered by the Social Security Administration out of the social security agency and placing them elsewhere within the Department of Health and Human Services. In particular, aid to families with dependent children, child support enforcement, low income home energy assistance, and refugee resettlement assistance programs should not be part of the independent social security agency but should remain in the Department of Health and Human Services. While they all are income security programs, their target populations, eligibility concepts, and benefit delivery systems are vastly different from those of OASDI and SSI. All four are operated by State welfare and other State agencies, not by the Federal Government, whose role consists largely of such regulatory and oversight activities as making certain that States conform to Federal statutory requirements. Separating these programs from the social security agency would not be disruptive either to the programs themselves or to the new agency. While administration of these programs now absorbs time and attention of top-level SSA managers, they are generally not integrated into SSA's main-line administrative operations, either in the central or field offices. Removing them from the social security agency would free its management from time and resource-consuming efforts on behalf of small, unrelated programs. This narrowing of focus will facilitate operational and management improvements in the social security and SSI programs.

A further consideration in recommending that these programs remain in DHHS is that having them there, along with title XX grants for social services and medicaid, would keep together in one department most of the major human resource programs that depend on Federal-State cooperation, enabling State welfare agencies to confine their contacts for these programs to one departmental setting. In addition, it could facilitate continued development of block grants and other policies affecting Federal-State income security and social service programs.

SSA currently administers the black lung program in conjunction with the Department of Labor [DOL]. The black lung program consists of two distinct parts, B and C. Part B is a residual program which pays benefits to individuals who filed claims prior to 1974. The part B program was designed to take advantage of SSA's existing disability program framework and processes and is still administered entirely by SSA. This workload primarily involves maintenance of service to a steadily decreasing beneficiary population. Part C, on the other hand, represents a legislative decision to have DOL administer the ongoing black lung program. Part C pays benefits to persons filing black lung claims after 1973. Thus DOL's black lung workload involves an increasing beneficiary population as well as maintenance of existing rolls. SSA's involvement in part C is limited to the use of its field staff for taking initial claims. DOL reimburses SSA for these claims-taking services.

The procedures for dealing with SSA's diminishing administrative responsibility for part B are currently well integrated into the organization, and continued operational responsibility for this part

of the black lung program is not a significant burden. Nonetheless, both parts of the black lung program should logically be administered by the same agency, and because the Panel strongly believes that the operational responsibilities of the social security agency should be focussed sharply on the OASDI and SSI programs, it prefers that that agency be DOL. However, the Panel acknowledges that a decision to shift the black lung program entirely to DOL would require DOL to set up field offices for taking black lung claims, or contract with others to do so.

CHAPTER IV.—STRUCTURING THE NEW AGENCY

I. INTRODUCTION

The statutory provision governing the Panel's study calls for it to present an implementation plan for establishing the social security agency "as an independent agency in the executive branch with its own independent administrative structure, including the possibility of such a structure headed by a board appointed by the President, by and with the advice and consent of the Senate."

Any new organizational structure for the social security agency should be well suited to both policymaking and administration. The Panel has sought to design the new agency to meet these essential organizational requirements.

II. POLICYMAKING AND ADMINISTRATION FOR SOCIAL SECURITY

Strong management of very large and complex organizations requires the concentration of responsibility and authority in a chief executive—a single official capable, ideally, of providing energetic and decisive leadership.

While few would dissent from this principle of administrative organization, differences of opinion do arise over how best to organize executive policy formation, which in our Government includes both the preparation of proposals for congressional action and the exercise of executive discretion in interpreting legislative intent.

Whereas good administration in the Panel's judgment requires considerable automony—that is, the concentration of power in a responsible official—good policymaking requires the blending of competing views and the balancing of different perspectives on policy questions. Only to a limited extent can this balancing and blending take place within a single executive agency—the social security agency in this case. It is necessarily a far more inclusive process, engaging the President and Congress, who, by reason of having won elections, are responsible for making the most important decisions about public policy.

It should be a responsibility of the agency head to develop and preserve the capacity of the social security agency to contribute to policymaking with advice, information, expert analysis, and the kind of judgment that is informed by the experience of program operations. Along with the ability to recall experience—what is often called institutional memory—and a greater capacity to look beyond the immediate future than that possessed by elected officials, who must be mindful of upcoming elections, these are the distinctive contributions that administrative agencies make to policy. The organization and leadership of the social security agency should, in the Panel's judgment, be designed to make these contributions to the President and Congress as promptly and vigorously as possible.

The Panel believes that an organization headed by a single executive is likely to fix responsibility for policy advice. It would provide expert information, practical judgments, and a long-range view on policy questions more expeditiously and clearly than would a multimember deliberative body, which would be vulnerable to indecision, dissension, and diffusion of responsibility.

A form of organization designed for deliberation, representation, and adjustment of different viewpoints, as a multimember board would be, is appropriate to head an agency which has received an extraordinary delegation of broad adjudicatory and rulemaking power. The leading examples are the Tennessee Valley Authority, a public corporation created in 1933 to develop the Tennessee Valley, and the various independent regulatory commissions, which have broad powers to make and interpret rules—in effect, to act on behalf of the legislature and the executive—in their respective areas of jurisdiction. Congress, however, has made no comparably broad delegation to SSA. In the Panel's judgment, only if such a delegation were made, in effect substantially devolving legislative powers for policymaking, would a multimember board be logical and defensible as a policymaking form.

As a form for administration, the Panel believes that a multimember board has serious disadvantages in that authority is diffused, and policy and administrative roles can be confused. The assumption that the board would confine itself to policymaking and leave administration to a chief executive officer assumes incorrectly that the two spheres of activity can be clearly differentiated in practice, and it overlooks or unwisely discounts the danger that the chairman of the board and possibly other board members would involve themselves in administrative matters properly the responsibility of the chief executive officer. The social security program, urgently in need of strong direction, should not today be exposed to the risks of this kind of contention between board members and the executive over who will be in charge. Such contention could exacerbate and prolong precisely those administrative problems that a reorganization should be designed to prevent.

Finally, the preeminent position of the chairman of a board would tend to diminish by comparison the stature of the chief executive and make it more difficult to attract the type of strong and capable administrator necessary to resolve the agency's serious management problems.

III. STRONG SINGLE ADMINISTRATOR

To achieve accountability and management effectiveness, the new social security agency should be headed by a single Administrator of high rank, with a statutory term of 4 years, eligible for reappointment. The Administrator would report to and be appointed by the President by and with the advice and consent of the Senate. This Administrator should have proven competence as a manager of large organizations and knowledge of Federal Government operations. The position of Administrator should be established at Executive Level II, with concomitant authority and enhanced administrative and professional stature so as to encourage continuity in top management.

Many of SSA's operating and management problems have been exacerbated by the frequent turnover of Commissioners. During the past 12 years, nine Commissioners or acting Commissioners have headed the agency. This turnover has prevented sustained action to solve operational problems and has devastated agency morale. For example, as noted in chapter II, SSA has been unable to keep its computer systems up-to-date. Prior to the current Systems Modernization Plan [SMP], at least two starts were made on plans to modernize SSA computer systems but were abandoned by succeeding Commissioners with different priorities. The frequent turnover of Commissioners has also led to major reorganizations that were not completed before the Commissioners who ordered them vacated office, leaving successors to contend with or again modify what their predecessors designed. These reorganizations have confused the organizational mission and the identity of the agency.

Under the Panel's recommendations, the new social security agency would be headed by a single executive official who would report to the President and in whom operational responsibility and accountability would be firmly lodged. This official should have proven competence as a manager of large organizations and be knowledgeable of Federal Government operations. The position of Social Security Administrator should be elevated in rank to attract the highest caliber candidates, to make the office comparable to other large operating agencies, and to enable the Administrator to have sufficient stature to deal with Members of Congress, with the highest officials in the Executive Office of the President, and with other department and agency heads. **Specifically, the Panel recommends that:**

The Social Security Administrator be appointed by the President and confirmed by the Senate.

In selecting a nominee for Social Security Administrator, the President should take into account candidates suggested to him by the Social Security Advisory Board described in the following section. However, since the Administrator would be the member of the administration principally responsible for social security, the President must be able to select a person in whom he has confidence.

The position of Social Security Administrator be elevated to Executive Level II, with the Deputy Administrator at Level III and supporting executive staff of commensurate levels.

The rank of the Administrator should be elevated to a level commensurate with the agency's program responsibilities, its managerial challenges, and its size. (The Commissioner of Social Security is currently at Executive Level IV, a rank inadequate for the responsibilities inherent in the position.) The Administrator would be expected to deal with issues at the highest levels of government—within both the executive and the legislative branches. The recommended Executive Level II, currently held by administrators of major independent agencies as well as administrators of some large agencies within departments, would provide the necessary stature. An independent agency will also require additional executive posi-

tions for an inspector general, general counsel, and legislative liaison functions. In addition to needing stronger top leadership, the agency is seriously understaffed at the Senior Executive Service [SES] level. Executive development must be emphasized and strengthened at all levels. The Panel is not in a position to determine the number of SES positions appropriate for the new agency, but has noted that the agency that is most nearly comparable [IRS] now has substantially more SES positions than SSA.

The Social Security Administrator be selected on the basis of proven competence as a manager of large organizations and knowledge of Federal Government operations.

While it is desirable for the Administrator to have an understanding of and experience with social security, it is more important that the Administrator have the ability to run a large organization, particularly in the difficult environment of Federal operations.

The Social Security Administrator be appointed for a term of 4 years coinciding with the term of the President, with eligibility for reappointment.

There is precedent for statutory terms in certain agencies of the government. For example, the Surgeon General of the Public Health Service, the Director of the FBI, and the Director of the Bureau of Labor Statistics all have term appointments. Recent studies by the Grace Commission and GAO have recommended term appointments for certain Federal officials with important operational and management responsibilities. The GAO and Grace Commission recommendations attempt to build stability and continuity of leadership in important operational and management positions throughout the government to increase professionalism. The Panel agrees that professionalism and continuity should be encouraged. The statutory term of office for the Administrator should coincide with the term of office of the President, and the Administrator should be eligible for reappointment.

IV. ADVISORY BOARD FOR SOCIAL SECURITY

To promote independent review and encourage broadly based policy analysis, a permanent Social Security Advisory Board should be established within the new agency. Its functions would be to oversee management and assess policy issues in social security and to advise the Social Security Administrator, the President, and the Congress on important developments. Some of the more important functions of the Board would be: (1) To make independent assessments of the annual reports of the Board of Trustees, major studies on social security, and proposed legislation; (2) to engage in public dialog and education about social security; and (3) to suggest to the President names to consider in selecting his nominee for the position of Social Security Administrator. The Board would consist of nine members, no more than five of whom may be of the same political party. Five of the members would be appointed by the President (no more than three from the same political party), and, to reinforce bipartisanship

and congressional participation, two of the board members (one from each political party) would be appointed by the Speaker of the House, and two other members (one from each party) would be appointed by the President pro tempore of the Senate. All Board members would be subject to Senate confirmation. They would be appointed for 6-year terms, with staggered terms for the initial Board members, and would be eligible for reappointment. The Board Chairman would be designated by the President. This Board would be part time, with regular meetings held at least bimonthly.

Social security policymaking in recent years has taken place in an atmosphere of crisis and improvisation. Deficits have been remedied only when insolvency was impending. Institutional approaches—the National Commission on Social Security Reform most notably—had to be created ad hoc to resolve difficult issues. Policymaking has taken place, too, in a context of severe fiscal constraint, which since the mid-1970s has exposed the social security programs to presidentially sponsored proposals for benefit reductions, some of them hastily prepared under the pressure of the annual budget cycle.

It is largely in response to this situation that proposals have developed to place the social security agency under direction of a multi-member governing board. Proponents believe that a bipartisan board would have a stabilizing influence, improve deliberation, and deter actions designed to meet the budgetary goals of any particular administration.

For reasons already given, the Panel prefers that the independent agency be headed by a single Administrator, but it nonetheless favors creation of a permanent bipartisan board, with relatively long, overlapping terms, to participate in policymaking as an adviser to the Administrator, President, and Congress. Such a Board would constitute an institutional means for weighing major issues of social security policy in a stable, orderly fashion, calling attention to developing problems before they become acute and providing advice in response to whatever proposals for action the ordinary processes of politics and policy planning may produce. It would assist in sustaining institutional memory, bringing a long-term perspective to bear on policy questions and assuring open consideration of significant policy changes.

The Panel believes the Advisory Board could accomplish many of the objectives related to policymaking that are sought by supporters of a full-time board. In particular the Social Security Advisory Board would:

- embody the bipartisanship that was conspicuously successful in the work of the National Commission on Social Security Reform,
- help to produce a more deliberative decisionmaking process with respect to significant policy issues,
- institutionalize the quadrennial Advisory Councils and minimize the need for ad hoc commissions, and
- become an important repository of institutional memory since it would be constituted of board members with overlapping 6-year terms.

Board members should be persons who by their experience, expertise, and accomplishments in public or private capacities have demonstrated a commitment to the public interest, concern for the quality of public administration, and a broad knowledge of social security and other social programs. The Chairman should be designated by the President, so that an incoming President could appoint the Chairman, either from among those already on the Board or from outside. Although the Board would be part time, its members would have substantial, time-consuming responsibilities. Therefore, they should be paid an annual retainer of $15,000 and, for days when the Board or an authorized subcommittee meets, should receive per diem plus expenses. The Administrator would provide the Board with full administrative and analytical staff support, including the procurement, at the Board's request, of consultation or analyses from independent sources if necessary.

The Board's charter would assign it responsibility for giving advice on social security policies and operational issues. While meeting, it would consider a specific agenda of issues formed after consultation between the Chairman of the Board and the Social Security Administrator. In addition, the Board could establish subcommittees with specific responsibilities to meet in conjunction with the regular Board meetings, or separately. Specific functions of the Board would be to:

- Make recommendations from time to time as to the most effective methods of providing economic security through social insurance;
- Make an independent assessment of the annual report of the Board of Trustees of the social security system and advise the President and the Congress on the implications of the assessment;
- Engage in public dialog and education about social security;
- Suggest to the President names to consider in selecting his nominee for the position of Social Security Administrator;
- On its own initiative, or as requested by the President or congressional committees having legislative jurisdiction over social security, review and assess major legislative proposals regarding OASDI and SSI, including their administrative feasibility and probable operational consequences;
- Review and assess the quality of service that the agency provides to the public;
- Make an annual assessment of the progress in upgrading the agency's computer-based technology for support of program operations;
- Review and make an assessment of the social security agency's progress in developing needed management improvements;
- In consultation with the Administrator, review the development and implementation of a long-range research and program evaluation plan for the agency;
- Review and assess any major studies of social security as may come to the Board's attention.

The Panel emphasizes that this Board would not be in the executive branch chain of command, but would be advisory in nature. The Administrator would have the responsibility for the operations

and overall management of the agency's programs and would represent the administration before Congress on social security issues.

In summary, assuming that an independent agency is to be created, the Panel believes that a single Administrator advised by a bipartisan Board constitutes the organizational framework best suited to develop management capability, correct current operational problems, and meet the long-run management challenges facing the agency. At the same time, the Panel believes that this structure would bring to bear on policy questions the consultative expertise and long-run point of view essential to the social security programs.

CHAPTER V.—STRENGTHENING MANAGEMENT AND ACCOUNTABILITY

I. INTRODUCTION

Experts on government organization and management who met with the Panel advocated expanded delegations of managerial authority for the new social security agency. According to recent studies by the National Academy of Public Administration [NAPA], the Grace Commission and others, operating restrictions imposed on Government managers by GSA, the Office of Personnel Management [OPM], and the Office of Management and Budget [OMB] have impeded efficient and effective management of Government programs and agencies. Controls exercised by these central management agencies tend to diffuse accountability for results and have often hindered rather than supported SSA's ability to accomplish its mission.

The NAPA report, "Revitalizing Federal Management: Managers and Their Overburdened Systems," advocates that the Federal Government adopt a policy of full and complete delegation of line and management systems authority, within the constraints of prudent policy and oversight, to governmental units with direct responsibility for program operations and management. The report goes on to recommend that central management agencies divest themselves, to the greatest extent possible, of their current practices of operational control and regulation, and that they develop the important roles of policy development, oversight, and management innovation.

The Grace Commission report and the recent study done for SSA by Deloitte, Haskins, and Sells pointed out some problems related to excessive management control on the Social Security Administration. These studies indicate a potential for cost savings and increased management effectiveness that may be achieved through greater delegation of authority to SSA's managers.

In general, management experts from within the Government and from the private sector advised the Panel to support additional delegations of management authority to the social security agency. These experts argued that the current system diffuses managerial accountability and frustrates innovation and initiative.

To strengthen the management of the new social security agency, and to improve operational accountability, the Congress should delegate to the Social Security Administrator selected management authorities available under current law. Specifically, Congress should direct delegations of essential authorities from the General Services Administration and the Office of Personnel Management for: (1) Automated data processing/information resources management, (2) administrative services, and (3) personnel management. Furthermore, the Congress should enact legislation providing the Social Security Administrator greater flexibil-

ity in budget formulation and execution. Specifically, the agency's budget should be submitted to Congress biennially, and the personnel requirements included in its administrative budget should be based on a work force plan rather than on personnel ceilings. At the earliest practical date following enactment of legislation the President should select an Administrator for the agency. In the interim, the Commissioner or Acting Commissioner of Social Security would serve as Acting Administrator and would establish a transition task force and conduct the transition until such time as the Administrator is confirmed. The Acting Administrator would also begin to develop a plan and negotiate criteria to evaluate the results achieved by the newly constituted agency and would begin to negotiate appropriate oversight roles for the central management agencies.

II. OVERBURDENED MANAGEMENT SYSTEMS

In pursuit of their own goals, the Federal Government's central management agencies often impose operating restrictions that are difficult for SSA to reconcile with its mission. For example, GSA establishes standards which determine the location and amount of local office space for the entire Government. DHHS then places additional requirements designed to achieve departmental uniformity among its programs. These two sets of standards on SSA managers do not permit adequate consideration of SSA's goals of providing: (1) Accessibility for the disabled and handicapped, (2) adequate public transportation and parking, (3) reception and interviewing areas that show respect for the privacy and dignity of the individual, and (4) efficient work flow and security precautions.

Based on its conclusion that the new social security agency needs greater flexibility with respect to certain management authorities, the Panel asked NAPA to prepare a report similar to its Government-wide study, "Revitalizing Federal Management: Managers and Their Overburdened Systems," applying appropriate management and organizational principles specifically to SSA. (NAPA's response is published as appendix F.) Based on this and other studies, the Panel concluded that the new social security agency should have specific management authorities delegated to it to the full extent now permitted by law for: Automated data processing [ADP]/information resource management, administrative services, and personnel management.

III. DELEGATION OF SPECIFIC MANAGEMENT AUTHORITIES

Specific management authorities should be delegated to the new social security agency. These delegations could be made under current law, and the Congress should direct their delegation. Possession of these authorities will increase the likelihood that the social security agency will be able to improve its performance and productivity.

Automated data processing/information resource management

To strengthen the ability of the Social Security Administrator to upgrade and modernize the agency's computer systems, **the authority for automated data processing/information resource manage-**

ment planning and acquisition, permitted under current law, should be delegated to the social security agency. The General Services Administration and the Office of Management and Budget would retain policy development and procurement oversight responsibilities.

The current DHHS, GSA, and OMB roles in SSA's ADP plans and procurements diffuse accountability for resolving SSA's problems. Full delegation of authority places the responsibility to resolve systems problems directly on the social security agency's managers—and fixes accountability for results.

The Panel believes that these delegations of management authority for ADP systems development will lead to improved managerial effectiveness. To insure this result, internal and external procedures should be set up to monitor the agency's use of the new authority and its progress in improving operations.

The social security agency should develop a successful internal planning and evaluation process, the lack of which has been a deficiency in the agency's management over the past decade. ADP systems planning should be incorporated as an integral part of this long-range planning process. If successful, this planning and evaluation system would provide the Social Security Administrator with data needed to measure progress in meeting goals for ADP development and for management improvement in general.

As the social security agency assumes additional authority for ADP development work, it must be able to hire and retain the personnel necessary to manage its ADP planning and procurements and its operating computer systems. The agency should consider greater reliance on contracting for assistance in planning and development of ADP systems, and skilled personnel will be required to monitor the contracts. A subsequent section of this chapter notes that special personnel authorities regarding pay will be necessary to build sufficient ADP capability in the agency.

Upon receipt of this additional authority, the Social Security Administrator should work closely with GSA, OMB, and OPM to establish appropriate oversight and evaluation roles. These agencies and GAO should monitor the social security agency's performance to insure that, after it receives full authority for systems development, adequate improvements are made.

Responsibility for information resource management [IRM] should be placed directly with the Social Security Administrator. Under current practices, an IRM official, not the agency head, receives the delegated procurement authority from GSA. The social security agency's IRM official should report directly to the Social Security Administrator, which would create valuable checks on ADP procurements and give the Administrator greater control over this vital area. Currently, all ADP responsibility and expertise at SSA reside in the systems organizational units. The SSA unit responsible for overall procurement is not a part of the systems organization and consequently lacks the expertise to evaluate the technical requirements and justifications for ADP procurements. The IRM official should operate independently from computer systems units and should have an adequate and technically competent staff to establish needed internal controls and perform technical reviews for the Administrator.

Administrative services

To insure that the social security agency is able to acquire appropriate facilities for its mission, **the authority to acquire, operate and maintain the facilities needed to operate the social security programs should be delegated to the Administrator of Social Security.** These delegations would include owning and managing real estate; responsibility for all aspects of building acquisition, maintenance, repair, renovation, service and security; and control over utilities, including telecommunications. Use of GSA-controlled facilities should be encouraged where SSA finds this cost-effective and adequate for agency needs.

In recent years, SSA has been unable to acquire and maintain adequate office space to conduct its business. SSA's problems with office space have stemmed, in large part, from an unsatisfactory working relationship with GSA. In 1981, the House Committee on Ways and Means published a staff report summarizing SSA's frustrations in obtaining adequate space during the period 1977–81. This study recommended that GSA delegate to SSA the authority to lease new space and to repair, alter or refurbish existing field office space, but this was not done. SSA continues to encounter many problems in securing adequate space through GSA.

GSA has delegated authority for space acquisition and management to the Departments of Agriculture, Defense, and Transportation, and to the Veterans Administration [VA]. These delegations, resulting from congressional and agency pressure, have proven successful. The Panel believes that the social security agency would be a particularly good candidate for broad delegations of authority to manage its own space needs. Over the years, SSA has developed a leasing handbook, a training program, and a cadre of experienced space management specialists who are familiar with GSA procedures and who are competent to deal with the issues of space management.

Personnel management authorities

To improve work force management, **the social security agency should be granted specific delegations of personnel management authorities. In particular, the social security agency should have authority within the constraints of title V of the United States Code to establish: (1) Its own classification system for job categories identified by the Administrator as unique or critical to agency operations and (2) its own recruitment and examination program for entry level employees.**

The specific personnel authorities to be delegated to the social security agency include:

Classification

Under the current system of limited delegated authority and extensive oversight, OPM attempts to insure Government-wide uniformity. **The Panel recommends selective delegation of full classification and standards development authority to the new social security agency for those categories of positions that are either unique to the agency or critical in resolving complex operating problems.** These include social insurance claims and examiner

series, GS 105, 993, and 998, and computer science series, GS 330 to 335. This added authority will enable the social security agency to respond promptly and equitably as significant changes occur in its workforce over the next several years. Specifically, SSA's large cadre of employees in claims examiner positions hold jobs that may change substantially in the future as they are further transformed from manual to highly computerized processes. In addition, computer-related jobs will continue changing with rapid state-of-the-art advances and agency modernization efforts.

Problems with classification were exceeded only by those associated with performance appraisals as a source of irritation in a recent survey of Federal managers conducted by NAPA. According to this survey, the classification standards (OPM guidelines used to determine grade levels) are seen by Federal managers as outmoded, inaccurate, and unworkable. Because they have no role in developing the standards, supervisors feel they have no control over the qualifications or grades of employees needed for specific jobs. Furthermore, OPM has fallen far behind agency managers' needs in developing new standards (a process that now requires 2 to 5 years to complete). For example, the jobs standards for the computer science series were issued only recently and are already out of date. These obsolete job standards emphasize centralized main frame computer environments, but recent technical advances leading to greater use of distributive processing have not been taken into account.

Only the specified authorities necessary for better management should be delegated to the Social Security Agency. Thus, consistency in the Government-wide classification system will be maintained, and the exceptions granted to the new social security agency will be mainly for jobs unique or critical to its operations.

Recruitment

To enable the social security agency to hire high quality professional employees, **the Panel recommends that authority be delegated to the agency to establish its own examination and recruitment program for entry level employees.**

The Panel heard testimony on SSA's difficulty in recruiting top quality staff and on the problems encountered in retaining individuals with specialized skills. These problems have undermined the agency's efficiency and lowered the quality of service provided to the public. In particular, ceilings on hiring to fill professional positions have hampered recruitment of college graduates for claims representative positions in SSA's field offices. OPM's inability to provide qualified college graduates from the PACE examination, discontinued after a Federal court found it to be discriminatory, made the problem worse. When the traditional avenues of college recruitment were restricted, SSA's clerical employees became the primary source (through internal promotion) for filling professional vacancies. OPM ameliorated the problem somewhat in 1983 when it delegated schedule B authority to SSA, permitting the agency to hire college graduates. However, this authority is only a partial solution because employees hired under schedule B authority can progress only to the GS–7 level.

The recruitment and retention of individuals at both the entry and full performance levels in computer-related series are critical in SSA, because improved program administration depends heavily on modernization of SSA's very large scale computer operation, which is currently staffed by over 3,000 employees. Trainee computer jobs turn over rapidly because of low salary levels. Salaries become progressively less competitive as employees become more specialized, skilled, and experienced. In effect, SSA provides basic training for new computer specialists who then leave for higher salaries in the private sector. Furthermore, SSA cannot afford to hire and cannot retain the most skilled computer specialists available because: (1) Outdated classification standards do not recognize their types of skills or level of expertise, and (2) salary levels in the private sector for many of these positions exceed government statutory pay limitations.

Executive staffing and special compensation

To strengthen the leadership base of the social security agency, **the Panel recommends that a pool of executive level authorizations be created and that additional Senior Executive Service positions be allocated to the agency. In addition, the agency should be granted a specific number of positions for computer experts that are exempted from current pay levels. The Social Security Administrator should have authority to pay up to the GS–15 maximum for a cadre of competent computer experts.**

While the Panel does not make recommendations on the agency's internal structure, additional executive level positions are needed to support the management reforms and improvements recommended in this report for a new social security agency. New executive level positions should include, for example, one Level III (Deputy Administrator) position and Levels IV and V positions in line with comparable agencies for the following functions: General counsel; inspector general; and directors of policy, planning and evaluation, legislative analysis, and financial management. In addition, executive level positions may be justified for program operations, systems development, actuarial work, and economic and other research.

The exact number of additional SES positions would be established by congressional action based on justifications submitted by the Administrator. If comparability with other large operating agencies were used as a guideline, a substantial number of additional positions could be justified. For example, IRS has slightly more employees than SSA but has over 235 SES positions compared to 76 at SSA. Furthermore, the Environmental Protection Agency (approximately 10,000 employees) has 233 SES positions; the National Aeronautics and Space Administration (approximately 21,500 employees) has over 500 SES positions; and the VA (approximately 215,000 employees) has over 400 SES positions.

SSA's operations have been hampered by the agency's inability to compete with the private sector for experts in state-of-the-art computer technology and for technical project managers for ADP contracts. Authority to pay up to the GS–15 maximum salary for a specified number of computer experts would enable the agency to acquire and retain a technical staff with the necessary skills and

experience to carry out the new agency's data processing requirements. This would help to ensure the cost-effectiveness of SSA's multimillion-dollar computer-related procurements, as well as the quality of services received from contractors.

Management and executive development

To achieve strong and effective management of its operations, the social security agency must have well-prepared, capable supervisors, managers, and executives. In recent years SSA has established and implemented management and executive development programs which appear to provide the proper framework for insuring that the agency's need for innovative, professional managers will be met.

However, more than a framework is necessary; SSA should make management and executive development one of its highest priorities. The panel was impressed to learn of the extent of the IRS's commitment to executive development. High level IRS executives devote a significant portion of their time to the executive development program. Training and development of subordinates is a critical task for every manager in IRS. A similar commitment would be required of top executives and managers of the new social security agency if an executive development program of comparable quality were developed.

Finally, the Panel notes that effective management and executive development does not necessarily depend on promotion from within. Managers from other agencies and from outside the Government can bring varied backgrounds and fresh perspectives to bear on SSA's management problems and help prevent parochialism and stagnation.

IV. A BIENNIAL BUDGET AND WORKFORCE PLAN FOR SOCIAL SECURITY

The Panel recommends modification of general Government-wide requirements for budget formulation and execution as they apply to the new social security agency. In particular, this agency should be authorized to:

Present to the Office of Management and Budget and the Congress a biennial budget request for appropriations. The Congress should appropriate biennially for administrative and SSI program costs. Funding for long-term projects, such as the computer modernization plan, should be appropriated on a full-cost (no-year) basis.

Present the staffing portion of its administrative budget to both the Office of Management and Budget and the Congress as a workforce plan, to be based on dollar limitations rather than personnel ceiling controls. The execution of the workforce plan would be left to the Administrator who would therefore be fully accountable for its effectiveness.

Biennial budget

NAPA's report and other studies have concluded that the annual budget formulation and appropriation process can be excessively burdensome for both the executive and legislative branches. In response to this problem, a number of bills to make the budget proc-

ess biennial have been introduced during the current session of Congress. The Panel believes the budget process should be modified for the social security agency which has stable and predictable administrative expenditures that stem directly from work required to administer statutory benefit provisions. The vast majority of funding for programs to be included in a new social security agency is derived from permanent trust fund appropriations; only SSI and general fund reimbursements to the trust funds (the limitation on administrative expenses and the payments to the trust funds accounts) are subject to annual appropriation action.

Budget accounts for the social security agency can be estimated in advance; indeed, major unanticipated changes in funding levels for OASDI result largely from legislative changes in program eligibility and benefit calculations. Despite little significant year-to-year change in the reimbursement accounts, SSA's top management currently spends an inordinate amount of time justifying and explaining these changes within the executive branch and testifying before Appropriations Committees. The effort would be justified if important policy or funding issues were being decided, but they rarely are. Thus, a biennial appropriation would not be a radical departure for the social security agency; the usual supplemental appropriation and recision processes would be used when significant changes were necessary. The contingency fund, which provides for reasonable fluctuations in administrative expenditures, would be retained and also provided biennially.

Workforce plan

Under the present budgeting system, Federal agencies are given fixed employment ceilings, expressed as specific staffing limits. Studies by NAPA, GAO, and the Grace Commission have concluded that this system, while a politically acceptable device for visibly controlling the total Federal workforce, has emphasized short-run budget control rather than long-run program management and policy development, and that it has impeded the development of more effective workforce planning.

The work product is difficult to define and measure for Government activities such as policy analysis, regulation, liaison, technical assistance, etc. For these activities, estimating workforce needs is difficult, and controlling the size of the workforce through ceilings restraints may have fewer adverse effects on the agency's ability to carry out its mission. But ceiling restraints have handicapped SSA which has large operating responsibilities and measurable work activities. These restraints have impeded SSA planning for workload changes and have routinely resulted in many workyears of costly overtime.

The studies cited above all urge a different workforce planning system in which the amount of work to be done is calculated in dollar terms, and funds for the work are appropriated on the basis of these planning figures rather than for specific numbers of employees. If the social security agency provided an overall summary portrait of its programs based on a workforce plan, the President and the Congress could make better long-run program policy decisions. Managers would be responsible for reaching objectives within the dollar limits associated with the workforce plan, but they

would retain the latitude to decide how best to achieve those objectives.

Workforce planning is particularly appropriate for the social security agency because much of the workforce is already covered by a work measurement system, and because the breadth and pace of technologically induced change will have a crucial effect on the agency's personnel needs in the next 5 years. Under its internal workforce planning system, SSA assesses the total work to be done by using established and verified measures of the time necessary to accomplish this work, including productivity assumptions. For example, the SSA actuarial staff estimates the number of claims that will be filed in a given year based on demographic trends and economic forecasts. Using this estimate, the budget staff can estimate the number of work years necessary to process this workload by applying data derived from prior years' experience in processing initial claims for benefits. Adjustments are made for productivity changes. The same process is used for each of the major workloads in the field offices, the program service centers, and other agency operations, and it results in a work measurement plan which details with a fair amount of objectivity the amount of work to be done and the type of staff necessary to accomplish that work within a given amount of time.

Continued improvements and refinements in the work measurement system are possible, and the new social security agency should work with OMB and GAO to improve data collection and time allocation—and to develop standards for processing workloads. If implemented, the Panel's recommendation would encourage improvements in the workforce plan and thus enhance the Administrator's ability to utilize effectively the agency's most valuable resource—the tens of thousands of SSA employees.

Funding for long-term projects

The panel recommends that certain long-term projects be funded for the life of the project rather than biennially. Full funding increases the likelihood that: (1) Detailed project planning will accompany initial requests for approval and funding, and (2) projects will be completed without interruption after they have been approved. Annual funding may mean that a change in leadership (in either the executive or legislative branch) may jeopardize the project or delay it as the rationale for the project must be defended anew. As with a biennial budget, a long-term project can always be canceled through recisions if the President or the Congress decides that drastic change is necessary. Examples of multiyear projects would include computer procurements and facilities' construction.

V. TRANSITION, EVALUATION PLAN, AND ACCOUNTABILITY

The Panel believes that the benefits to be gained from these delegations and expanded authorities dictate prompt action. **It recommends, therefore, at the earliest possible date after enactment of legislation establishing a new social security agency, that the President select an Administrator. In the interim, the Commissioner or Acting Commissioner of Social Security would serve as**

Acting Administrator and would establish a transition task force and conduct the transition until such time as the Administrator is confirmed. The Acting Administrator would also begin to develop a plan and negotiate criteria to evaluate the results achieved by the newly constituted agency and would begin to negotiate appropriate oversight roles for the central management agencies.

The transition task force

As soon as practical after enactment, the President should designate the Administrator of the new agency. In the meantime, an Acting Administrator should set up a transition task force, which would be comprised of SSA and DHHS staff along with representatives of OMB, OPM, and GSA. A detailed plan would be prepared by the task force for the orderly transfer of responsibilities and authorities and any organizational changes deemed appropriate. To the maximum extent possible, the Administrator of the new agency should be involved in planning and carrying out the transition. (See appendix C to this report for additional details regarding the suggested transition plan.)

A plan for evaluation

The Panel expects that the organizational independence and additional authorities given to the social security agency will result in improved program performance, public service, and productivity. To ensure this result, the Administrator should develop objectives for management improvements, an initial action plan, and criteria to measure progress and final results. Although the objectives and plan should be the new agency's statement of what it expects to achieve, the involvement of OMB, OPM, GSA, and GAO are important in developing appropriate and reasonable objectives and criteria for short- and long-range evaluations.

As a minimum, the evaluation plan should address two major topics: (1) Operational efficiency and effectiveness and (2) the ability to confront and resolve major management issues, including the establishment of long-run planning capability.

Plans for resolving pressing operational issues should incorporate SSA's internal measures of program performance, productivity, and public service. While these measures are currently used to monitor performance, their accuracy, reliability, and coverage of the agency's operations should be improved. In addition, external measures of public service should be developed to corroborate improvements indicated by internal measures and to discover whether these improvements have affected public opinion on the quality of service.

Plans for resolving longer run management issues should address: (1) The types and levels of public service to be provided; (2) the future role of the field offices, program service centers, and other centralized operations; (3) the extent to which operations will be automated and whether they will be centralized or decentralized; (4) the extent to which staff reductions will result from automation and productivity improvement; and (5) the type of organization that will be needed in future years.

After the Social Security Advisory Board has been set up, it should participate in developing criteria for measurement and eval-

uation, and it should assist the overall assessment of the new agency's program for improving managerial and operational performance.

Accountability

Marked improvement in agency management and operations can be achieved only over an extended period. The evaluation criteria developed to measure the agency's progress should recognize the time required for substantial improvements to occur. In addition to regular oversight by the newly created Social Security Advisory Board, **the Panel recommends that during the first 5 years after enactment of this legislation GAO monitor and report on the social security agency's use of the authorities and progress in improving its program planning and operational efficiency and effectiveness. Five years after enactment of the legislation, GAO should prepare a formal report to the President and the Congress.**

VI. STRENGTHENED MANAGEMENT WITHIN DHHS

As noted in the Preface, the Panel's instructions from Congress directed it to study how to remove SSA from DHHS and set it up as an independent agency. Accordingly, the Panel has concentrated on how an independent agency should be structured and managed. However, the Panel believes that many of its recommendations would improve the management of the agency should it remain within DHHS. Even in the absence of action to create an independent agency, **the Panel recommends that:**

- **SSA have program responsibility only for old-age, survivors, and disability insurance and supplemental security income,**
- **Strong professional management and continuity of leadership for the agency be emphasized and the rank of the head of the agency and deputy be raised,**
- **The present provisions for quadrennial Social Security Advisory Councils be changed to provide a permanent Social Security Advisory Board within DHHS, and**
- **Operational accountability and responsibility be placed squarely with the agency head by delegating to SSA specific management authorities and by redefining the responsibilities of the central control agencies.**

APPENDICES

APPENDIX A

STUDY CONCERNING THE ESTABLISHMENT OF THE SOCIAL SECURITY ADMINISTRATION AS AN INDEPENDENT AGENCY

Joint Study Panel on the Social Security Administration. 42 USC 902 note.

SEC. 338. (a) There is hereby established, under the authority of the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, a joint study panel to be known as the Joint Study Panel on the Social Security Administration (hereafter in this section referred to as the "Panel"). The duties of the Panel shall be to conduct the study provided for in subsection (c).

Membership.

(b)(1) The Panel shall be composed of 3 members, appointed jointly by the chairmen of the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate and such chairmen shall jointly select one member of the Panel to serve as chairman of the Panel. Members of the Panel shall be chosen, on the basis of their integrity, impartiality, and good judgment, from individuals who, as a result of their training, experience, and attainments, are widely recognized by professionals in the fields of government administration, social insurance, and labor relations as experts in those fields.

Vacancies.

(2) Vacancies in the membership of the Panel shall not affect the power of the remaining members to perform the duties of the Panel and shall be filled in the same manner in which the original appointment was made.

Pay.

(3) Each member of the Panel not otherwise in the employ of the United States Government shall receive the daily equivalent of the annual rate of basic pay payable for level V of the Executive Schedule under section 5316 of title 5, United States Code, for each day during which such member is actually engaged in the performance of the duties of the Panel. Each member of the Panel shall be allowed travel expenses in the same manner as any individual employed intermittently by the Federal Government is allowed travel expenses under section 5703 of title 5, United States Code.

(4) By agreement between the chairmen of the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, such Committees shall provide the Panel, on a reimbursible basis, office space, clerical personnel, and such supplies and equipment as may be necessary for the Panel to carry out its duties under this section. Subject to such limitations as the chairmen of such Committees may jointly prescribe, the Panel may appoint such additional personnel as the Panel considers necessary and fix the compensation of such personnel as it considers appropriate at an annual rate which does not exceed the rate of basic pay then payable for GS-18 of the General Schedule under section 5332 of title 5, United States Code, and may procure by contract the temporary or intermittent services of clerical personnel and experts or consultants, or organizations thereof.

Appropriation authorization.

(5) There are hereby authorized to be appropriated to the Panel, from amounts in the general fund of the Treasury not otherwise appropriated, such sums as are necessary to carry out the purposes of this section.

(c)(1) The Panel shall undertake, as soon as possible after the date of the enactment of this Act, a thorough study with respect to the

implementation of removing the Social Security Administration from the Department of Health and Human Services and establishing it as an independent agency in the executive branch with its own independent administrative structure, including the possibility of such a structure headed by a board appointed by the President, by and with the advice and consent of the Senate.

(2) The Panel in its study under paragraph (1) shall address, analyze, and report specifically on the following matters: Matters to be analyzed.

(A) the manner in which the transition to an independent agency would be conducted;

(B) the authorities which would have to be transferred or amended in such a transition;

(C) the program or programs which would be included within the jurisdiction of the new agency;

(D) the legal and other relationships of the Social Security Administration with other organizations which would be required as a result of establishing the Social Security Administration as an independent agency; and

(E) any other details which may be necessary for the development of appropriate legislation to establish the Social Security Administration as an independent agency.

(d) The Panel shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, not later than April 1, 1984, a report of the findings of the study conducted under subsection (c), together with any recommendations the Panel considers appropriate. The Panel and all authority granted in this section shall expire thirty days after the date of the submission of its report under this section. Report to congressional committees. Expiration date.

G. STUDY OF SSA AS AN INDEPENDENT AGENCY

Present law

The Social Security Administration is currently part of the Department of Health and Human Services.

House bill

Authorizes a feasibility and implementation study with respect to establishing SSA as an independent agency. Such study shall include but not be limited to the following points: the feasibility of changing the current status of SSA; how to manage the transition; what authorities would need to be transferred or amended; what programs would be involved; what agency administrative relationships would need to be adjusted, etc. The study would be conducted (in consultation with the Commissioner of Social Security) by a panel of administrative experts appointed by the House Committee on Ways and Means and the Senate Committee on Finance, with a report and recommendations to be submitted to the Committees no later than January 1, 1984.

Senate amendment

Similar to the House provision except—

(1) commission would be appointed by the President with advice and consent of the Senate,

(2) report would be due no later than April 1, 1984, and

(3) implementation, not feasibility, of independent SSA, is included in study mandate.

Conference agreement

The conference agreement provides for the following: In keeping with the recommendations of the National Commission on Social Security Reform, a study shall be conducted with respect to the establishment of the Social Security Administration as an independent agency under a bipartisan board appointed by the President, by and with the advice and consent of the Senate. The study shall be conducted by a Commission consisting of experts widely recognized in the fields of government administration, social insurance, and labor relations. The study shall address, analyze and report to the Congress on: how to manage the transition, what authorities would need to be transferred or amended, the program(s) which should be included within the jurisdiction of the new agency, the legal and other relationships of the Social Security Administration with other organizations which would be required as a result of establishing the Social Security Administration as an independent agency, and any other details which may be necessary for the development of appropriate legislation to establish the Social Security Administration as an independent agency.

The study would be conducted (in consultation with the Commissioner of Social Security) by a panel of experts appointed by the House Committee on Ways and Means and the Senate Committee on Finance, with a report and recommendations to be submitted to the Committees no later than April 1, 1984.

[Excerpted From the Report of the National Commission on Social Security (1981)]

GREATER INDEPENDENCE FOR SOCIAL SECURITY PROGRAMS

Because the National Commission believes that significant improvements in the operation of Social Security and related programs and the public's understanding of those programs would result, *it recommends the creation of an independent agency, to be called the Social Security Board. The Board should be responsible for administering the Old-Age, Survivors, and Disability Insurance program, the Supplemental Security Income program, and the Medicare and Medicaid programs.* The day-to-day operations of each program should be directed by three career employees—an executive director and two chief operations officers who would report to the executive director. One operations officer would be responsible for the cash benefits programs and the other for the health care programs.

The independent agency the Commission recommends would resemble the original Social Security Board in that it would be governed by a three- or five-member board reporting directly to the President. The Board would be appointed by the President with the advice and consent of the Senate. Not more than two members, in the case of a three-member Board (or three in the case of a five-member Board), at any one time could be members of the same political party. One member would be designated by the President as Chairman and would be appointed for a fixed term which would coincide with the term of the President. The initial appointments would vary so that no more than one term would expire in any calendar year.

DISSENTING STATEMENT ON AN INDEPENDENT SOCIAL SECURITY BOARD AND ON REMOVING SOCIAL SECURITY FROM THE UNIFIED BUDGET

(By Mr. Gwirtzman)

I am not impressed by the argument for removing the Social Security Administration from the Department of Health and Human Services and setting it up as an independent agency. Other programs financed through separate taxation and trust funds, such as unemployment compensation and the Federal highway program exist under the general supervision of Cabinet departments. The internal administrative problems of the Social Security Administration seem to me to be of the type endemic to any large government organization, and which would be neither helped nor hurt by creating an independent board.

I am concerned that this proposal would mean further dismemberment of the Department of Health and Human Services, which has already seen its education programs transferred to the new Department of Education. Severing Social Security, Medicare, and Medicaid would result in the loss of about 60 percent of the Department's personnel, and would leave little to justify its continued existence as a separate Cabinet department.

NOTE: See dissenting view by Chairman Gwirtzman.

[Excerpted From the Report of the National Commission on Social Security Reform (1983)]

SOCIAL SECURITY ADMINISTRATION AS AN INDEPENDENT AGENCY

(22) The majority of the members of the National Commission believes—as a broad, general principle—that it would be logical to have the Social Security Administration be a separate independent agency, perhaps headed by a bi-partisan board. The National Commission recommends that a study should be made as to the feasibility of doing this.

The Social Security Administration is now part of the Department of Health and Human Services. Its fiscal operations and the size of its staff are larger than those of the remainder of the Department combined.

The National Commission has not had the time to look into the various complex issues involved in such an administrative reorganization and, therefore, recommends that a study group should be formed to look into this matter. Issues involved include whether the leadership of such an independent agency should be assigned to a single individual or whether there should be a governing board of several members, selected on a bi-partisan basis, and whether the operations of the Medicare program should be included in such an independent agency, or whether they should remain as a subsidiary agency within the Department of Health and Human Services, as at present.

SUPPLEMENTARY STATEMENT

(By Commissioners Robert M. Ball, Martha Keys, Lane Kirkland, Daniel Patrick Moynihan and Claude Pepper (members selected by the Democratic leadership of the Congress))

We believe that it would improve the operation of the Social Security system and strengthen public confidence in the integrity of the program if it were administered as an independent agency under a bi-partisan Board as it was in the early days of the program. We do not believe that an in-depth study is necessary, but rather any study should be confined to the details of implementation.

APPENDIX B

A DRAFT BILL to establish the Social Security Administration as an independent agency responsible for the administration of titles II and XVI of the Social Security Act and certain related functions.

SECTION 1. This Act, with the following table of contents, may be cited as the "Social Security Reorganization Act of 19—."

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TITLE I—DECLARATION OF PURPOSE

SECTION 101. The purposes of this bill are as follows:

(a) to establish the Social Security Administration as an independent agency, separate from the Department of Health and Human Services;

(b) to charge the Social Security Administration with administration of the Old-Age, Survivors, and Disability Insurance and Supplemental Security Income programs and with part of the Black Lung program;

(c) to create the office of Administrator of Social Security and define the powers and duties thereof;

(d) to create the Social Security Advisory Board and define its membership and functions;

(e) to provide for delegating major management authorities to the Administrator of Social Security.

TITLE II—ESTABLISHMENT OF THE SOCIAL SECURITY ADMINISTRATION

SECTION 201. (a) Title VII of the Social Security Act is amended by striking Section 701 and inserting in lieu thereof the following new section:

"SOCIAL SECURITY ADMINISTRATION

"SEC. 701. (a) There is hereby established, as an independent agency of the executive branch of the government, a Social Security Administration (hereinafter in this section referred to as the Administration).

"(b) It shall be the duty of the Administration to administer the programs established by titles II and XVI of this act and to discharge the duties and responsibilities imposed (as of the date of enactment of the Social Security Reorganization Act of 19—) on the Secretary of Health and Human Services in connection with the administration of the program established by title IV of the Federal Mine Safety and Health Act of 1977.

"(c) There shall be in the Administration a General Counsel, who shall be appointed by and serve at the pleasure of the Administrator and who shall be the principal legal officer in the Administration.

"(d) There shall be in the Administration an Inspector General appointed in accordance with the Inspector General Act of 1978 (as amended by section 409(a) of the Social Security Reorganization Act of ___)."

(b)(1) Whenever any reference is made in any provision of law (other than this Act or a provision of law amended by this Act), regulation, rule, record, or document to the Department of Health and Human Services with regard to that Department's responsibility for administering titles II or XVI of the Social Security Act or title IV of the Federal Mine Safety and Health Act of 1977, such reference shall be considered a reference to the Social Security Administration as established by section 201 of this Act.

(2) Whenever any reference is made in any provision of law (other than this Act or a provision of law amended by this Act), regulation, rule, record, or document to the Secretary of Health and Human Services with regard to that Secretary's responsibility for administering titles II or XVI of the Social Security Act or title IV of the Federal Mine Safety and Health Act of 1977, such reference shall be considered a reference to the Administrator of Social Security as established by Section 202 of this Act. Whenever any such reference is made to any other officer or employee of the Department of Health and Human Services or the Department of Health, Education, and Welfare, such reference shall be considered a reference to the appropriate officer or employee of the Social Security Administration.

(c) The personnel employed in connection with, and the assets, liabilities, contracts, property, records, and unexpended balance of appropriations, authorizations, allocations, and other funds employed, held, used, arising from, available to, or to be made available in connection with the administration of titles II and XVI of the Social Security Act or those responsibilities imposed (as of enactment of the Social Security Reorganization Act of 19—) on the Secretary of Health and Human Services in connection with the administration of the program established by title IV of the Federal Mine Safety and Health Act of 1977, shall be transferred to the Administrator of Social Security (as established by Section 202 of this Act) for appropriate allocation. Unexpended funds transferred pursuant to this subsection shall be used only for the purposes for which the funds were originally authorized and appropriated.

SECTION 202. (a) Section 702 of the Social Security Act is redesignated section 711. A new section 702 is inserted as follows:

"ADMINISTRATOR OF SOCIAL SECURITY

"SEC. 702. (a) There shall be in the Social Security Administration an Administrator of Social Security (hereinafter in this section referred to as the Administrator) who shall be appointed by the President, subject to the advice and consent of the Senate, who shall report to the President, and who shall be removable only for cause.

"(b) The Administrator shall be compensated at the rate provided for Level II of the Executive Schedule.

"(c) The Administrator shall be appointed for a term of four years coincident with the term of the President. The Administrator may be appointed for additional terms at the desire of the President.

"(d) The Administrator shall be selected on the basis of proven competence as a manager of large organizations and a knowledge of Federal government operations.

In making his selection for the post of Administrator, the President shall take into account candidates suggested to him by the Social Security Advisory Board established in section 703.

"(e) The Administrator shall be responsible for the exercise of all powers and the discharge of all duties of the Social Security Administration, and shall have authority and control over all personnel and activities thereof.

"(f) The Administrator may assign duties, and delegate, or authorize successive redelegations of, authority to act and to render decisions, with respect to all laws administered by the Social Security Administration, to such officers and employees as he may find necessary. Within the limitations of such delegations, redelegations, or assignments, all official acts and decisions of such officers and employees shall have the same force and effect as though performed or rendered by the Administrator.

"(g) The Administrator is authorized to prescribe such rules and regulations as the Administrator determines necessary or appropriate to administer and manage the functions of the Administrator or the Administration.

"(h) The Administrator is authorized to establish, alter, consolidate or discontinue such organizational units or components within the Administration as he may deem to be necessary or appropriate. Such authority shall not extend to the abolition of any positions established by this Act.

"(i) There shall be in the Social Security Administration a Deputy Administrator, who shall be appointed by the President, subject to the advice and consent of the Senate, and who shall be compensated at the rate provided for Level III of the Executive Schedule.

"(j) The Deputy Administrator shall perform such duties and exercise such powers as the Administrator shall from time to time assign or delegate. The Deputy Administrator shall be Acting Administrator of Social Security during the absence or disability of the Administrator and, unless the President shall designate another officer of the Government, in the event of a vacancy in the office of Administrator.

"(k) The Administrator shall have the duty of studying and making recommendations as to the most effective methods of providing economic security through social insurance, and as to legislation and matters of administrative policy pertaining thereto."

(b) Until such time as the President appoints an Administrator, the Commissioner (or Acting Commissioner, if applicable) of the current Social Security Administration shall serve as Acting Administrator.

SECTION 203. Section 703 of the Social Security Act is redesignated section 712. A new section 703 is inserted as follows:

"SOCIAL SECURITY ADVISORY BOARD

"SEC. 703. (a) There is established in the Social Security Administration a Social Security Advisory Board (hereinafter in this section referred to as the Board). The Board shall consist of nine members, five of whom (no more than three from the same political party) shall be appointed by the President and two each of whom (no more than one from the same political party) shall be appointed by the Speaker of the House of Representatives and by the Speaker Pro Tempore of the Senate. Members shall be appointed with the advice and consent of the Senate and shall be removable only for cause. The President shall designate one of the members as Chairman of the Board.

"(b) Recommendations and findings of the Board shall be by majority vote. Tie votes (in the event of the absence of one or more members) will be broken by the vote of the Chairman. At least five Board members must be present at full Board meetings, as a quorum, in order to act as the Board.

"(c) Each member of the Board shall serve for a term of six years, except that:

"(1) a member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed, shall be appointed for the remainder of such term, and

"(2) the terms of service of the nine members first taking office after enactment of the Social Security Reorganization Act of 19— shall expire as designated by the President, the Speaker or the President Pro Tempore at the time of nomination, one at the end of one year; two at the end of two years; one at the end of three years; two at the end of four years; one at the end of five years; two at the end of six years. The Speaker and the President Pro Tempore shall each make one of the initial appointments for two and six years.

"(d) The first nine Board members shall begin service effective six months after enactment of the Social Security Reorganization Act of 19—. Terms of service will end on the anniversary of six months after the enactment of said Act in the years

designated in subsection (c), and all subsequent terms will end on the same date of the applicable years.

"(e) Members of the Board may be compensated at the rate of $15,000 per year and, for days when the Board or any authorized subcommittee thereof meets, may receive additional compensation not to exceed $500 per day. When so serving away from their homes or regular places of business, members may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government employed intermittently.

"(f) The Board shall meet at least bi-monthly to consider a specific agenda of issues agreed to by the Chairman of the Board and the Administrator of Social Security.

"(g) The Board shall be exempt from the provisions of the Federal Advisory Committee Act except for section 10 relating to Advisory Committee procedures.

"(h) Specific functions of the Board shall include, but not be limited to, the following:

"(1) making recommendations from time to time as to the most effective methods of providing economic security through social insurance;

"(2) making an independent assessment of the annual report of the Board of Trustees of the social security system and advising the President and the Congress on the implications of the assessment (and transmitting that assessment to the President and the Congress);

"(3) engaging in public dialogue and education about social security;

"(4) suggesting to the President candidates to consider in selecting his nominee for the position of Administrator of Social Security;

"(5) on its own initiative or as requested by the President or congressional committees having legislative jurisdiction over social security, reviewing and assessing major legislative proposals regarding social security, including an assessment of the administrative feasibility and probable operational consequences of those proposals;

"(6) reviewing and assessing the quality of service that the agency provides to the public;

"(7) making an annual assessment of the Social Security Administration's progress in upgrading its computer-based technology for support of program operations;

"(8) reviewing and assessing the Social Security Administration's progress in developing needed management improvements;

"(9) in consultation with the Administrator of Social Security, reviewing the development and implementation of a long-range research and program evaluation plan for the agency; and

"(10) reviewing and assessing any major studies of social security as may come to the Board's attention.

"(i) In the event of a vacancy on the Board, whether because of the scheduled expiration of a term or for any other reason, the President, the Speaker or the President Pro Tempore, as applicable, shall submit to the Senate the name of a candidate to fill the vacancy no later than 30 days after the vacancy occurs. A vacancy on the Board shall not impair the right of the remaining members to exercise all the powers of the Board."

TITLE III—ADMINISTRATIVE PROVISIONS

SECTION 301. (a) The Administrator of Social Security (hereinafter in this title referred to as the Administrator) is authorized to appoint and fix the compensation of such officers and employees as may be necessary to carry out the functions of the Administrator and the Social Security Administration. Except as otherwise provided by law, such officers and employees shall be appointed and their compensation fixed in accordance with title 5 of the United States Code (hereinafter in this title referred to as title 5).

(b) The Administrator shall have those authorities permitted to be delegated by section 1104 of title 5 which are necessary for the Administrator to establish, within the constraints otherwise imposed by title 5, the Social Security Administration's own:

(1) recruitment and examination program for entry level employees;

(2) classification and standards development system and pay ranges for those job categories identified by the Administrator as unique and/or critical to agency operations.

The Director of the Office of Personnel Management shall provide any assistance requested by the Administrator in assuming these delegations.

(c) The Administrator may obtain the services of experts and consultants in accordance with the provisions of section 3109 of title 5.

(d) The Administrator may appoint, without regard to the provisions of title 5 governing appointments in the competitive service, a number (to be determined by the Administrator) of technical or professional employees and may compensate employees so appointed without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5 relating to classification and General Schedule pay rates.

(e) Notwithstanding any requirements of section 3133 of title 5, the Director of the Office of Personnel Management shall authorize for the Social Security Administration a total of ___ Senior Executive Service positions, and the total number of such positions authorized in future years pursuant to the aforementioned section 3133 shall not be less than [same number].

(f) In addition to the Executive Schedule positions specified in section 702 of this Act, the Social Security Administration is authorized additional positions at Executive Levels IV and V.

SECTION 302. (a) Notwithstanding any provision of title 31, United States Code, or any other provision of law, or any requirement pursuant to law, the Administrator shall prepare and submit to the President appropriations requests for the Social Security Administration on a biennial basis and all appropriations for the Social Security Administration shall be made on a biennial basis.

(b) Appropriations requests for staffing and other personnel shall be based upon a comprehensive workforce plan, as determined by the Administrator. The entire amount of appropriations provided for the administrative costs of the Administration shall be apportioned in the time period provided in title 31 for apportionment and shall be apportioned for the entire period of availability without restriction or deduction by the apportioning officer or employee of the Office of Management and Budget or any other entity within the Executive Branch, except as otherwise provided in this section.

(c) The report submitted pursuant to section 704 of the Social Security Act, as amended by this Act, shall include a section reflecting the use of budget authority provided to the Administration by quarters.

(d)(1) Appropriations for administrative expenses of the Administration are authorized to be provided on a biennial basis and authority for automated data processing procurement and facilities construction shall be provided in the form of contract authority covering the total costs of such acquisitions, to be available until expended.

(2) Amounts necessary for the liquidation of contract authority provided pursuant to this section are hereby made available from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund to the extent that the Administrator, with the concurrence of the Secretary of the Treasury, determines that such amounts are not necessary to meet the current obligations for benefit payments from the Funds.

(3) Funds appropriated for the Administration to be available on a contingency basis shall be apportioned only upon the occurrence of the stipulated contingency, as determined by the Administrator and reported to the Congress.

SECTION 303. The Administrator shall have all authorities permitted to be delegated under title 40 of the United States Code that are necessary for the acquiring, operating, and maintaining of the facilities needed for administration of programs for which the Administrator is given responsibility under this Act. The Administrator of the General Services Administration shall provide any assistance requested by the Administrator in assuming these delegations.

SECTION 304. The Administrator shall have the authorities permitted to be delegated under section 759 of title 40 of the United States Code relating to the lease, purchase or maintenance of automated data processing equipment. The Administrator of the General Services Administration shall provide any assistance requested by the Administrator in assuming these delegations. The Administrator shall have the authority to contract for any automated data processing equipment or services necessary for the efficient and effective operation of the agency.

SECTION 305. The Administrator shall cause a seal of office to be made for the Social Security Administrator of such design as the Administrator shall approve. Judicial notice shall be taken of such seal.

TITLE IV—MISCELLANEOUS AND CONFORMING AMENDMENTS

SECTION 401. Title II of the Social Security Act is amended as follows:

(a) by striking out wherever it appears therein "Secretary of Health and Human Services" or "Secretary of Health, Education, and Welfare" and insert-

ing in lieu thereof "Administrator of Social Security," except that the designation "Secretary of Health, Education and Welfare" shall remain unchanged in Section 201(g)(1) (except for clause (ii) therein which is amended as indicated earlier in this subsection) and in Section 201(a)(3) which is amended by subsection (b) below.

(b) by striking out the words "Secretary of Health, Education and Welfare" in Section 201(a)(3) and inserting in lieu thereof "Administrator of Social Security (hereinafter referred to as the "Administrator")".

(c) by inserting immediately after "Administrator" wherever it occurs in Section 202(t)(4)(D) (except when it is directly followed by "of Veterans' Affairs") the words "of Veterans' Affairs" and by striking out the word "Secretary" and inserting in lieu thereof "Administrator of Social Security."

(d) by striking out wherever it appears therein "Secretary" (except when it is directly followed by "of Health and Human Services" or "of Health, Education, and Welfare") and inserting in lieu thereof "Administrator," but only if "Secretary" refers to the Secretary of Health and Human Services (formerly Health, Education, and Welfare), except:

(1) in sections 201(1)(5)(B)(ii), 226, and 226A the word "Secretary" shall be amended, wherever it appears, to read "Secretary of Health and Human Services";

(2) Section 202(t)(4)(D) is amended as specified in subsection (c) above; and

(3) Section 231(c) is amended as specified in subsection (k) below.

(e) by striking out wherever it appears therein "Department of Health and Human Services" or "Department of Health, Education, and Welfare" and inserting in lieu thereof "Social Security Administration," except that "Department of Health, Education and Welfare" shall remain unchanged in sections 201(g)(1)(A)(i) and 201(i).

(f) by striking out wherever it appears therein "Commissioner of Social Security" and inserting in lieu thereof "Administrator of Social Security," except in section 201(c) which is amended as specified in (g) below.

(g) by striking out in section 201(c) "The Commissioner of Social Security shall serve as" and inserting in lieu thereof "The Managing Trustee shall designate an individual other than one of the members of the Board of Trustees as".

(h) Section 201(g) is amended as follows:

(1) by inserting immediately after "Secretary of Health, Education, and Welfare" wherever it appears therein (except in clause (ii) and subparagraph (2), which are amended as specified in subsection (a) above) the words "and the Administrator of Social Security".

(2) Subsection (g)(1)(A)(i) therein is amended by striking out "Department of Health, Education and Welfare" and inserting in lieu thereof "Department of Health and Human Services, the Social Security Administration".

(3) by striking out "him and the" in clause (i) therein and inserting in lieu thereof "him, the".

(4) by striking out "is responsible" in subparagraphs (A) and (B) therein and inserting in lieu thereof "are responsible".

(i) Section 201(i) is amended by inserting immediately after "Welfare" the words "or the Social Security Administration".

(j) Section 201(m) is amended by inserting immediately after "Services" the words "or the Administrator of Social Security, as appropriate".

(k) Section 231(c) is amended by striking out "Secretary" and inserting in lieu thereof "Administrator of Social Security and Secretary of Health and Human Services".

SECTION 402. Title IV of the Social Security Act is amended as follows:

(a) by striking out wherever it appears in section 402 "Administrator" and inserting in lieu thereof "Secretary".

(b) by striking out the first time it appears in section 411 "Secretary" and inserting in lieu thereof "Administrator of Social Security".

SECTION 403. Title VII of the Social Security Act is amended as follows:

(a) Section 704 is amended to read as follows: "The Secretary and the Administrator shall make full reports to Congress within one hundred and twenty days after the beginning of each regular session, of the administration of the functions with which they are charged under this Act. In addition to the number of copies of such reports authorized by other law to be printed, there is hereby authorized to be printed not more than five thousand copies of each such report for use by the Secretary and Administrator for distribution to Members of Congress and to State and other public or private agencies or organizations participating in or concerned with the programs provided for in this Act."

(b) Section 706 is amended:

(1) by striking out in subsection (a) "Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund," and inserting in lieu thereof "Federal Hospital Insurance Trust Fund";

(2) by striking out in subsection (a) "old-age, survivors, and disability insurance program and the";

(3) by inserting after "public" in subsection (b) the words ", and shall include individuals who represent the interests of groups most affected by Medicare programs and policies";

(4) by striking out in subsection (c) "Department of Health, Education and Welfare" and inserting in lieu thereof "Department of Health and Human Services"; and

(5) by striking out paragraph (1) in subsection (d) and by redesignating paragraphs (2) and (3) paragraphs (1) and (2) respectively.

(c) Section 709(b)(2) is amended by inserting immediatly after "Secretary" the words "or the Administrator, as appropriate".

(d) Section 711 (as established by section 202 of this Act) is amended:

(1) by striking "Administrator" and inserting in lieu thereof "Secretary of Health and Human Services";

(2) by inserting immediately before the period at the end thereof: "except that nothing in this section shall be construed to require the Secretary to make studies of our recommendations with respect to programs administered by the Social Security Administration"; and

(3) by striking the title and inserting in lieu thereof "Duties of the Secretary".

(e) Section 712 is amended:

(1) by striking "Administrator" and inserting in lieu thereof "Secretary"; and

(2) by striking the title and inserting in lieu thereof "Expenses of the Secretary."

SECTION 404. Title XI of the Social Security Act is amended as follows:

(a) by adding a new section 1101(a)(10) to read as follows: "The term "Administrator", except where the context otherwise requires, means the Administrator of Social Security.".

(b) Section 1102 is amended by inserting immediately after the word "Labor," the words "the Administrator of Social Security,".

(c) Section 1106 is amended:

(1) by striking out "Federal Security Agency" wherever it appears therein and inserting in lieu thereof "Social Security Administration"; and

(2) by striking out "Secretary" wherever it appears therein and inserting in lieu thereof "Administrator".

(d) Section 1107(b) is amended by inserting immediately after "Welfare" the words "or to the Administrator of Social Security".

(e) Section 1110(a) and 1110(b)(1) are amended by striking out wherever it appears therein "Secretary" and inserting in lieu thereof "Secretary or Administrator".

(f) Section 1110(b)(2) is amended by striking out wherever it appears therein "Secretary" and inserting in lieu thereof "Administrator".

(g) Section 1127 is amended by striking out "Secretary" and inserting in lieu thereof "Administrator".

(h) Section 1131 is amended:

(1) by striking out in subsection (a)(1) "Secretary makes" and inserting in lieu thereof "Secretary or Administrator make";

(2) by striking out in subsection (a)(2) "Secretary" and inserting in lieu thereof "Secretary or Administrator"; and

(3) by striking out in subsection (b)(2) "Secretary" and inserting in lieu thereof "Administrator".

SECTION 405. Title XVI (as it pertains to the Supplemental Security Income program) of the Social Security Act is amended as follows:

(a) by striking out wherever it appears therein "Secretary" (except when it is directly followed by "of Health, Education, and Welfare") and inserting in lieu thereof "Administrator", but only if the word "Secretary" refers to the Secretary of Health and Human Services (formerly Health, Education, and Welfare).

(b) by striking out in section 1602 "Secretary of Health, Education, and Welfare" and inserting in lieu thereof "Administrator of Social Security".

(c) by striking out in section 1631 (a)(6)(B) "Commissioner" and inserting in lieu thereof "Administrator".

SECTION 406. Title XVIII of the Social Security Act is amended as follows:

(a) by striking out wherever it appears in sections 1817(a) and 1817(f) "Secretary of Health, Education, and Welfare" and inserting in lieu thereof "Administrator of Social Security".

(b) Section 1840 is amended:

(1) by striking out in subsection (a)(1) "Secretary" and inserting in lieu thereof "Administrator"; and

(2) by striking out in subsection (a)(2) "Secretary of Health, Education, and Welfare" and inserting in lieu thereof "Administrator of Social Security".

SECTION 407. Title IV of the Federal Coal Mine Health and Safety Act of 1977 is amended as follows:

(a) by striking out wherever it appears therein "Secretary of Health, Education, and Welfare" and inserting in lieu thereof "Administrator of Social Security", except

(1) in section 402(c) which is amended as specified in (c) below, and

(2) in section 427.

(b) by striking out wherever it appears in parts A and B therein "Secretary" (except when it is directly followed by "of Health, Education, and Welfare") and inserting in lieu thereof "Administrator", but only if "Secretary" refers to the Secretary of Health and Human Services (formerly Health, Education, and Welfare), except in section 402(c) which is amended as specified in (c) below.

(c) A new section 402(c) is inserted as follows:

"(c) The term "Administrator" where used in part B means the Administrator of Social Security. The term "Secretary" where used in part C means the Secretary of Labor."

(d) by striking out in section 435(a)(3)(B) "Department of Health, Education, and Welfare" and inserting in lieu thereof "Social Security Administration."

SECTION 408. (a) Title 5 of the United States Code is amended as follows:

(1) by adding at the end of section 5313 the following new paragraph:

"Administrator of Social Security."

(2) by adding at the end of section 5314 the following new paragraph:

"Deputy Administrator of Social Security."

(3) by adding at the end of section 5315 the following new paragraph:

"General Counsel of the Social Security Administration."

"— positions in the Social Security Administration."

(4) by adding at the end of section 5316 the following new paragraph:

"Inspector General, Social Security Administration."

"— positions in the Social Security Administration."

(5) by striking out wherever it occurs in section 8141 "Secretary of Health, Education, and Welfare" and inserting in lieu thereof "Administrator of Social Security".

(b) Title 7 of the United States Code is amended as follows:

(1) by striking out in section 2015 "Secretary of Health and Human Services" and inserting in lieu thereof "Administrator of Social Security.";

(2) by inserting immediately after "Services" in section 2026 "and the Administrator of Social Security".

(c) Title 14 of the United States Code is amended by striking out wherever it occurs in section 707 "Secretary of Health and Human Services" and inserting in lieu thereof "Administrator of Social Security".

(d) Title 26 of the United States Code is amended by striking out wherever it occurs in section 3121 "Secretary of Health, Education, and Welfare" and inserting in lieu thereof "Administrator of Social Security".

(e) Title 38 of the United States Code is amended by striking out wherever it occurs in section 3005 "Secretary of Health and Human Services" or "Secretary" and inserting in lieu thereof "Administrator of Social Security".

(f) The Inspector General Act of 1978 (as amended) is amended

(1) in section 2(1), by inserting "the Social Security Administration" immediately after "Transportation,";

(2) in section 9(a)(1), by inserting immediately after subparagraph (n) the following new subparagraph

"(o) of the Social Security Administration, all functions of the Inspector General of the Department of Health and Human Services relating to functions for which the Social Security Administration was given responsibility by the "Social Security Reorganization Act of 19 ___";

(3) in section 11(1) by inserting "Administrator of the Social Security Administration, the" immediately after "Transportation or the";

(4) in section 11(2) by inserting "the Social Security Administration, the" immediately after "Transportation or the."

SECTION 409. (a) There are transferred to the Social Security Administration (established by section 701 of the Social Security Act under the amendment made by section 201 of this Act) all functions carried out by the Secretary of Health and Human Services with respect to the administration of programs and activities the administration of which is vested in such Administration, by reason of this Act and the amendments made thereby.

(b) There are transferred to the Social Security Administration (as established by section 701 of the Social Security Act under the amendment made by section 201 of this Act) all personnel, assets, liabilities, contracts, property, and records, which the Director of the Office of Management and Budget determines to be employed, held, or used by the Secretary of Health and Human Services primarily in connection with the functions, activities, and programs which, by reason of this Act and the amendments made thereby, are vested in or become the responsibility of such Administration.

(c) All orders, determinations, rules, regulations, permits, contracts, certificates, licenses, delegations of authority, and privileges—

(1) which have been issued, made, promulgated, granted, or allowed to become effective, in the exercise of functions (A) which were exercised by the Secretary of Health and Human Services (or his delegate), and (B) which relate to functions which by reason of this Act and the amendments made thereby, are vested in the Social Security Administration (as established by section 701 of the Social Security Act under the amendment made by section 201 of this Act), and

(2) which are in effect at the time this Act takes effect, shall (to the extent that they relate to functions described in paragraph (1)(B)) continue in effect according to their terms until modified, terminated, suspended, set aside, or repealed by the Social Security Administration (as established by section 701 of the Social Security Act).

(d) The provisions of this Act (including the amendments made thereby) shall not affect any proceeding pending at the time this Act takes effect before the Secretary of Health and Human Services with respect to functions vested (by reason of this Act and the amendments made thereby) in the Social Security Administration (as established by section 701 of the Social Security Act under the amendment made by section 201 of this Act), except that such proceedings, to the extent that they relate to such functions, shall continue before the Social Security Administration (as so established). Orders shall be issued under any such proceeding, appeals taken therefrom, and payments shall be made pursuant to such orders, in like manner as if this Act had not been enacted, and orders issued in any such proceeding shall continue in effect until modified, terminated, superseded, or repealed by the Social Security Administration (as so established), by a court of competent jurisdiction, or by operation of law.

(e) Except as provided in this subsection—

(1) the provisions of this Act shall not affect suits commenced prior to the date this Act takes effect, and

(2) in all such suits proceedings shall be had, appeals taken, and judgments rendered, in the same manner and effect as if this Act had not been enacted. No cause of action, and no suit, action, or other proceeding commenced by or against any officer in his official capacity as an officer of the Department of Health and Human Services, shall abate by reason of the enactment of this Act. Causes of action, suits, actions, or other proceedings may be asserted by or against the United States and the Social Security Administration (as established by section 701 of the Social Security Act under the amendment made by section 201 of this Act), or such official of such Administration as may be appropriate, and, in any litigation pending when this section takes effect, the court may at any time, on its own motion or that of a party, enter an order which will give effect to the provisions of this subsection (including, where appropriate, an order for substitution of parties).

(f) These amendments shall not have the effect of releasing or extinguishing any criminal prosecution, penalty, forfeiture, or liability incurred as a result of any function which (by reason of this Act) is vested in the Social Security Administration.

(g) In the exercise of the functions vested in it under this Act (and the amendments made thereby), the Social Security Administration shall have the same authority as that vested in the Secretary of Health and Human Services with respect

to the exercise of such functions immediately preceeding the vesting of the same in such Administration, and actions of such Administration shall have the same force and effect as when exercised by such Secretary.

SECTION 410. (a) Title II of this Act is effective six months after enactment.

(b) Title III of this Act is effective upon enactment.

(c) Title IV of this Act is effective six month after enactment except that sections 408 (a)(1), (a)(2), (a)(3), (a)(4), and 408(f) are effective upon enactment.

APPENDIX C

SUGGESTED TRANSITION PLAN

A Transition Task Force should be established as soon as possible after enactment. The incumbent Social Security Commissioner would be designated as Acting Administrator of the new agency until a permanent Administrator has been appointed and confirmed and would carry out the transition plan until that time. The Acting Administrator would establish an unbiased mediation/arbitration process as soon as possible to resolve any disputed issues which may impede the progress of an orderly transition. Arrangements for formally transferring all management delegations [1] from GSA, OPM, and OMB should be agreed to as soon as practical after enactment of the legislation. Members of the task force would be drawn from both SSA and HHS and a time-phased action plan would be developed. A plan (with target dates) would include the following activities/items:

Major activity/key item	Accountable organization/official	Target date [1]
A. Determination order—formal transfer of positions, personnel and other fiscal and real property resources:		
Identify all accounts for transfer; identify grants.	Secretary, HHS; Administrator, SSA; [2] Director, Office of Financial Resources (OFR), SSA; Dep. Asst. Secretary, Finance, HHS.	30 days.
Determine unobligated balances	do	30 days.
Reach agreement between HHS and SSA on final balance of accounts.	do	60 days.
Receive OMB approval	do	90 days.
Secure Treasury Department warrant (authorization for expenditures).	do	90 days.
B. Continuation of services:		
Identify those services which must be continued for limited and/or indefinite periods. (Example—payroll/personnel services provided).	Transition Task Force (TTF) Director; Associate Commissioner, Office of Management, Budget and Personnel (AC, OMBP); Assistant Secretary for Management and Budget, HHS (ASMB).	30 to 45 days.
Final/interim service agreements (including cost) between HHS and SSA negotiated and signed.	do	60 days.
Interagency agreements signed	do	75 days.
C. Transfer of positions (included are overhead positions currently paid for by agency tap):		
Prepare final draft including numbers, procedures, etc.	do	45 days.
Negotiate/arbitrate agreement	do	60 days.
Agreement signed	do	75 days.
Implement transfer as specified in the determination order.	do	90 days.
D. Develop revised and/or new organizational structure:		
Draft	Administrator, SSA; TTF Director; AC, OMBP	120 days.
Revision	do	135 days.

[1] These delegations are essential to the Administrator's ability to proceed with the transition implementation.

Major activity/key item	Accountable organization/official	Target date[1]
Approved final organization including numbers of positions, tentative grade levels and functional statements and Federal Register notice.	do	180 days.
E. Prepare job descriptions for new positions:		
Draft	AC, OMBP	120 days.
Classification of top positions down to division level and including journeyman level position for each major function.	do	135 days.
Classification of all other positions	do	180 days.
F. Reassign staff:		
Designation of key officials (board members, acting administrator, etc.).	President; Administrator	1 to 45 days.
Notification letters to employees regarding procedures and informing of new positions.	do	30 to 60 days.
G. Union notification and negotiation, re: methodology and impact:		
Impact bargaining begins after management team has established bargainable issues and their strategy is cleared with top management.	AC OMBP; Transition task force	1 to 90 days.
Conclude with agreement or go to impasse or proceed and assume settlement can be reached later.	do	180(+) days.
H. Budget:		
Assess all employee costs, services rendered, and calculate cost obligations to transfer date.	TTF Director; AC, OMBP; ASMB	45 days.
Reach agreement between HHS and SSA on all related costs and final accounting closeout.	do	60 days.
Signed agreement	do	75 days.
Closeout accounts in HHS and transfer obligations as appropriate in the determination order.	do	90 days.
I. Administrative support:		
Review current inventories on all real property, files, etc., and develop methodology and draft agreement on transfer.	TTF Director; AC, OMBP	45 days.
Sign final real property transfer agreement	do	60 days.
Implement agreement in conjunction with determination order.	do	90 days.
J. Delegations of authority:		
Establish procedure for transferring needed programmatic and administrative authorities.	do	30 days.
Issue new authorities	do	60 days.
K. Provide resources for transition:		
Budget plan to include transition funding	AC, OMBP	15 days.
Establish Transition Task Force	Administrator	15 days.
Establish unbiased mediation/arbitration process.	do	15 days.
L. Policy and procedures:		
Identify and develop policies and procedures for the new agency in draft.	Administrator	30 days.
Issue in final	do	60 days.
M. Interagency agreements:		
Identify agreements	Administrator	15 days.
Negotiate new agreements, modify and secure old agreements.	do	45 days.
Implement all agreements	do	75 days.
N. Contracts and procurements:		
Identify any affected by transition	AC, OMBP	30 days.
Develop methodology to accommodate problems.	do	60 days.
Implement new methods and procedures	do	90 days.

Major activity/key item	Accountable organization/official	Target date[1]
O. Regulation Authority/Secretarial Decisions		
Action plan to transfer authorities not covered in legislation.	TTF Director; AC, OMBP; ASMB	30 days.
Set transfer date for decisions and initiating new actions.	.....do	45 days.
Implement plan to avoid issues, decisions, etc., being delayed.	.....do	60 days.
P. Address any miscellaneous issues which arise such as changes in letterhead, buildings, official seal or symbol, correspondence control, etc.	TTF Director	180 days.
Q. Prepare a final report summarizing all action taken, the rationale and problems encountered and a statement of all resources in the new organization.	.....do	180 days.

[1] Many activities will be performed concurrently. All dates are from enactment.
[2] Any responsibilities assigned to the Administrator will be performed by the Acting Administrator until an Administrator is confirmed.

APPENDIX D

WITNESSES AT PUBLIC MEETINGS

Robert M. Ball, Visiting Scholar, Center for the Study of Public Policy; Commissioner, Social Security Administration, 1962–73.

Charles Bernhardt, Labor Relations Specialist, National Federation of Federal Employees.

William F. Bolger, Postmaster General, U.S. Postal Service.

Daniel P. Bourque, Deputy Administrator, Health Care Financing Administration.

Daniel Brier, Group Director for Welfare, Human Resources Division, General Accounting Office.

Hale Champion, Executive Dean, John F. Kennedy School of Government, Harvard University; Under Secretary, Department of Health, Education, and Welfare, 1977–79.

Jacob Clayman, President, National Council of Senior Citizens.

Wilbur J. Cohen, Professor of Public Affairs, LBJ School of Public Affairs, University of Texas at Austin; Secretary, Department of Health, Education, and Welfare, 1968–69.

Carolyne K. Davis, Administrator, Health Care Financing Administration.

James E. Davis, M.D., Vice Speaker of the House of Delegates, American Medical Association.

Alan L. Dean, Consultant and Member, National Academy of Public Administration; Chairman, National Academy of Public Administration, 1977–81.

Francis D. DeGeorge, Deputy Inspector General, Department of Commerce; Deputy Commissioner (Operations), Social Security Administration, 1979.

Joseph Delfico, Associate Director, Income Security Programs, Human Resources Division, General Accounting Office.

Robert A. Derzon, Vice President, Lewin and Associates; Administrator, Health Care Financing Administration, 1977–78.

Herbert R. Doggette, Jr., Deputy Commissioner (Operations), Social Security Administration.

Thomas Dowdal, Group Director for Medicare, Human Resources Division, General Accounting Office.

Louis D. Enoff, Acting Deputy Commissioner (Programs and Policy), Social Security Administration.

Frank Ferris, Director, Negotiations Department, National Treasury Employees Union.

Robert P. Fleminger, President, National Council Social Security Management Associations, Inc.

Richard L. Fogel, Director, Human Resources Division, General Accounting Office.

John Harris, Special Assistant to the National President, American Federation of Government Employees; Council President, National Council of SSA Field Operations Locals, American Federation of Government Employees, 1979–83.

Patricia Roberts Harris, Professor of Law, National Law Center, George Washington University; Secretary, Department of Health, Education, and Welfare/Health and Human Services, 1979–81.

Timothy P. Kilcullen, Associate, Gibson-Hunt Associates; Deputy Project Manager, Social Security Task Force, President's Private Sector Survey on Cost Control (Grace Commission), 1982–83.

Lewis J. Krulwich, Partner, Price Waterhouse; Project Manager, Federal Management Systems Task Force, President's Private Sector Survey on Cost Control (Grace Commission), 1982–83.

Andrew Kulanko, Group Director for SSA Retirement, Human Resources Division, General Accounting Office.

Jerome Kurtz, Partner, Paul, Weiss, Rifkind, Wharton & Garrison; Commissioner, Internal Revenue Service, 1977–80.

John W. Lainhart IV, Director, Office of ADP Audits and Technical Support, Office of the Inspector General, Department of Transportation; Group Director for Human Services, Information Management and Technology Division, General Accounting Office, 1983–84.

Marshall S. Mandell, Deputy Commissioner (Systems), Social Security Administration.

John L. McLucas, Executive Vice President and Chief Strategic Officer, Communications Satellite Corporation; Administrator, Federal Aviation Administration, 1975–77.

Martha A. McSteen, Acting Commissioner, Social Security Administration.

Rufus E. Miles, Jr., Writer and Consultant; Assistant Secretary for Administration, Department of Health, Education, and Welfare, 1961–65.

William A. Morrill, President, Mathematica Policy Research, Inc.; Assistant Secretary for Planning and Evaluation, Department of Health, Education, and Welfare, 1973–77; Assistant Director, Office of Management and Budget, 1972–73.

Thomas D. Morris, Inspector General, Department of Health, Education, and Welfare, 1977–79.

Robert J. Myers, Consulting Actuary; Executive Director, National Commission on Social Security Reform, 1982–83; Deputy Commissioner, Social Security Administration, 1981–82.

Richard P. Nathan, Professor of Public and International Affairs, The Woodrow Wilson School of Public and International Affairs, Princeton University; Deputy Under Secretary, Department of Health, Education, and Welfare, 1971–72.

Paul H. O'Neill, Senior Vice President, Paperboard and Packaging, International Paper Company; Deputy Director, Office of Management and Budget, 1974–77.

Jack W. Owen, Executive Vice President and Director of the Washington Office, American Hospital Association.

Robert E. Rinehimer, Consultant in Health Insurance Administration; President, Pennsylvania Blue Shield, 1970–81.

Stanford G. Ross, Partner, Arnold and Porter; Commissioner, Social Security Administration, 1978–79.

Nelson J. Sabatini, Acting Deputy Commissioner (Management and Assessment), Social Security Administration.

Leonard D. Schaeffer, President and Chief Executive Officer, Group Health, Inc.; Administrator, Health Care Financing Administration, 1978–80.

Richard S. Schweiker, President, American Council of Life Insurance; Secretary, Department of Health and Human Services, 1981–82.

Lawrence T. Smedley, Associate Director, Department of Occupational Safety, Health, and Social Security, AFL–CIO.

Peter L. Szanton, Policy and Management Consultant, Hamilton, Rabinovitz, & Szanton, Inc.; Associate Director, Office of Management and Budget, 1977–79.

Barry Tice, Group Director for Disability Programs, Human Resources Division, General Accounting Office.

Edward L. Toby, Immediate Past President, National Council Social Security Management Associations, Inc.

Barry L. Van Lare, Staff Director, Committee on Human Resources, National Governors Association; Associate Commissioner, Social Security Administration, 1977–80.

Aubrey J. Wagner, Consultant; Director and Chairman of the Board, Tennessee Valley Authority, 1961–78.

Edward T. Weaver, Executive Director, American Public Welfare Association, Inc.

Paul R. Willging, Executive Vice President, National Council of Health Centers; Vice President, Blue Cross/Blue Shield of Greater New York, 1982–83; Deputy Administrator, Health Care Financing Administration, 1981–82.

Suzanne H. Woolsey, Partner, Health, Education, and Legal Services Consulting Group, Coopers & Lybrand; Associate Director, Office of Management and Budget, 1977–80.

Don I. Wortman, Management Consultant; Project Director, Federal Management Deregulation Project, National Academy of Public Administration, 1982–83; Deputy Commissioner and Acting Commissioner, Social Security Administration, 1977–78; Acting Administrator, Health Care Financing Administration, 1977.

John D. Young, Professor of Public Management, American University; Assistant Secretary for Management and Budget, Department of Health, Education, and Welfare, 1977; Assistant Secretary, Comptroller, Department of Health, Education, and Welfare, 1973–77.

APPENDIX E

SOCIAL SECURITY ADMINISTRATION: PROGRAM AND ORGANIZATIONAL HISTORY

The following chronology briefly describes the major program and organizational events in the evolution of the Social Security Administration. It does not catalog every change in program coverage or eligibility; only those program changes which had a significant impact on the mission and organization of the agency are included.

1935—Passage of the original Social Security Act established old age annuity, unemployment insurance, aid to dependent children, and aid to the blind programs under the jurisdiction of the Social Security Board (SSB), an independent, three-member bipartisan board. The SSB created an executive director with responsibility for administration, three operating bureaus, five service bureaus, and twelve regional offices.

1937—Report of the President's Committee on Administrative Management (Brownlow Committee) recommended that the independent Federal agencies that had proliferated during the early New Deal years be consolidated into new or existing departments. The report formed the basis for President Roosevelt's reorganization plan discussed below.

1939—Passage of the 1939 Social Security Amendments significantly broadened the basic social security program by establishing survivors and dependents benefits. In addition, Reorganization Plan No. 1 created the Federal Security Agency (FSA) and placed the Social Security Board under the FSA. The plan required that the "Chairman (of the SSB) shall perform such duties as the Administrator (of FSA) shall direct." The Plan also transferred the United States Employment Service from the Department of Labor to FSA/SSB; in 1945 the Employment Service was returned to DOL.

1946—Reorganization Plan No. 2 abolished the Social Security Board and created a Commissioner for Social Security within the Federal Security Agency.

1950—Major expansion of coverage included farm and domestic workers, self-employed, and others.

1953—The Department of Health, Education, and Welfare replaced the Federal Security Agency. Disability "freeze" legislation passed, presaging the disability insurance program. SSA established a Division of Disability Operations in 1954.

1954—Coverage expanded to include self-employed farmers and professionals, most homeworkers, state and local government employees if accepted by referendum, and ministers if they opted for coverage.

1956—Disability insurance program enacted to provide benefits for workers age 50-64 and disabled children age 18 and over.

1958—Benefits extended to dependents of disabled workers in same manner as dependents of retired workers.

1963—Reorganization of HEW separated Bureau of Public Assistance and Childrens Bureau from SSA and created a Welfare Administration in HEW.

1965—Passage of Medicare led to creation of Bureau of Health Insurance in SSA.

1972—Enactment of Supplemental Security Income program (replacing aid to aged, blind and disabled administered by Social and Rehabilitation Service) led to creation of Bureau of Supplemental Security Income in SSA in 1973; OASDI benefits indexed to cost-of-living effective in 1975.

1975—Internal SSA reorganization reduced Commissioner's span of control by consolidating bureaus under an office of program operations.

1977—HEW reorganization created Health Care Financing Administration (Bureau of Health Insurance moved to HCFA) and abolished the Social and Rehabilitation Service (AFDC and child support enforcement programs shifted to SSA; medicaid shifted to HCFA; and Grants to States for Social Services (Title XX) was established in a new agency, the Office of Human Development Services).

1979—Department of Education established, consolidating education functions. New Department of Health and Human Services organized with 4 operating bureaus: SSA, HCFA, Public Health Service, and Human Development Services.

1979—Internal SSA reorganization abolished program bureaus and created functional offices, expanding the Commissioner's span of control by providing direct reporting by each Regional Commissioner.

1981-83—Internal realignments added two deputy commissioners (in addition to existing deputies for (1) operations and (2) program and policy, deputies for (3) systems and (4) management and assessment were created).

SUMMARY OF PROGRAM CHANGES

Old-age, survivors insurance

Old-age annuities established in 1935; survivors and dependents benefits added in 1939; sundry eligibility modifications (decreasing age of eligibility from 65 to 62, etc.) made over the years.

Disability insurance

Initial "freeze" legislation passed in 1953, allowing years in which worker is disabled to be dropped in calculation of retirement benefits; disability benefits for workers passed in 1956; survivors and dependents benefits added in 1958.

Hospital and supplemental medical insurance

Passed in 1965; SSA administered program from 1965 until 1977 when HCFA was created.

Aid to dependent children

("Mother's Pensions") passed in 1935; SSA administered this State grant-in-aid program until 1963 when the Welfare Administration was created. Program returned to SSA in 1977 when the successor to the Welfare Administration (Social and Rehabilitation Service) was disbanded.

Aid to the aged, blind and disabled

Established in the original 1935 act; SSA administered these State grant-in-aid programs until 1963 when they were transferred to the new Welfare Administration. In 1972 these programs were replaced by the Supplemental Security Income program, with direct Federal administration by SSA.

Child support enforcement

Created in 1975, this State grant-in-aid program was administered by the Social and Rehabilitation Service until SRS was disbanded in the 1977 reorganization of HEW.

Black lung benefits

Enacted in 1969; SSA administered direct Federal payments to coal miners disabled by pneumoconiosis and to their widows and certain dependents. Since the Black Lung Benefits Act of 1972, SSA has been responsible for miners' benefits filed between 1969 and June 30, 1973, or for claims filed within 6 months after the death of a minor or widow already on the beneficiary roll established by SSA. The Department of Labor is responsible for claims filed after June 30, 1973, although SSA continues to accept claims and to forward them to DOL for adjudication and payment.

APPENDIX F

The Social Security Administration

MANAGEMENT REFORMS AS A PART OF ORGANIZATIONAL INDEPENDENCE

A report to
The Congressional
Panel On Social
Security Organization

National Academy of
Public Administration

May 1984

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THE SOCIAL SECURITY ADMINISTRATION

MANAGEMENT REFORMS AS A PART OF ORGANIZATIONAL INDEPENDENCE

A REPORT TO

THE CONGRESSIONAL PANEL
ON SOCIAL SECURITY ORGANIZATION

by the

National Academy of Public Administration

J. Jackson Walter
President

Washington, D.C.
May 1984

PREFACE

The Social Security Amendments Act of 1983 created a Joint Study Panel to "conduct a thorough study with respect to the implementation of removing the Social Security Administration from the Department of Health and Human Services and establishing it as an independent agency in the Executive Branch, with its own independent administrative structure, including the possibility of such a structure headed by a board appointed by the President, by and with the advice and consent of the Senate."

The Congressional Panel on Social Security Organization which has been established to carry out this study has contracted with the National Academy of Public Administration (NAPA) to assess changes in management authorities and capabilities which could improve SSA's capacity to manage effectively, using as a basis the recently issued report of a NAPA Panel entitled "Revitalizing Federal Management: Managers and Their Overburdened Systems." A number of members of the National Academy and other persons knowledgeable about SSA and public administration reforms were consulted in the preparation of the report (see Attachment A). This report provides recommendations to the Congressional Panel as to management reforms which should be considered when Congress moves toward its ultimate decision on organizational independence.

J. Jackson Walter
President, National Academy of
Public Administration

INTRODUCTION

The debates of the past two years and more culminated in the report of the National Commission on Social Security Reform and the passage of the Social Security Act Amendments of 1983, which made substantial revisions in the legislative definition of the social security system—a major effort to meet the widely expressed concerns of the American public about the soundness of the system and the adequacy of its funding.

Part of this public concern also dealt with the reliability and effectiveness of the management of these programs and the quality of leadership of the Social Security Administration which administers them. The National Commission stated in its report that "the majority of the National Commission believes...as a broad general principle...that it would be logical to have the Social Security Administration be a separate, independent agency, perhaps headed by a bipartisan board."

The Social Security Act Amendments of 1983 called for the creation of a Joint Study Panel to "conduct a thorough study with respect to the implementation of removing the Social Security Administration from the Department of Health and Human Services and establishing it as an independent agency in the Executive Branch, with its own independent administrative structure, including the possibility of such a structure headed by a board appointed by the President, by and with the advice and consent of the Senate."

Neither the National Commission nor the Congress spelled out the organizational or management advantages or disadvantages of SSA as an independent agency reporting to the President, and this now becomes one of the principal tasks of the Congressional Panel on Social Security Organization. The

Panel, in its deliberations, will compare the independent agency with options for granting SSA greater autonomy and independence within the HHS structure; in addition, the form of a government corporation will be evaluated to determine whether it offers any compelling advantages which are not attainable in the more traditional federal agency organization.

This report, prepared for the Congressional Panel, is about management issues rather than program or policy matters. Nor does it attempt to spell out the details of legislative language dealing with managerial authority. Instead, it deals with the management problems faced by large operating institutions such as SSA, the management constraints within which SSA must function, and the opportunities which exist to improve SSA's management performance, either as an independent agency or in its current departmental location. Making SSA independent does not, in itself, assure its greater effectiveness or responsiveness to public need. But the Congressional consideration of how to implement organizational independence creates a unique opportunity to rethink what it is that does make an organization like SSA manage well or poorly. This report is essentially an exploration of these opportunities.

The report should be read with the idea in mind that effective management in any institution, including a public agency, depends more on leadership, positive motivations for excellence and service, and the willingness to work hard and effectively, than it does on compliance with an array of management regulations and constraints. In addition, the quality of management in SSA will in the near future depend heavily on the flexibility given to its commissioners and top staff to cope with change rather than stable routines—change created by the new law governing the program; change induced by the impact of new technology; and change growing from a heightened public concern that public organizations must meet more stringent tests of cost restraint and management effectiveness.

I. SSA LEADERSHIP AND AUTHORITY

The question of SSA leadership is a critical one, and an array of options, including several forms of board concepts and mechanisms was examined. While the main concern has been the management implications of alternative forms of leadership, it simply is not possible to consider the management role without understanding the political and policy consequences of these alternatives as well.

The most feasible alternatives for leadership are these:

1. A single authoritative commissioner.
2. A full-time Board of Directors responsible for direction of the agency and which may or may not have an operating head.
3. A single commissioner, plus a part-time policy board.
4. A single commissioner, plus a part-time advisory board.

The basic question is: "From a management view, which of these alternatives would achieve the greatest management effectiveness?" The following conclusions were drawn:

1. In management terms, the most important point is that it is almost universally agreed that single administrators are far more effective and accountable than multi-person boards or commissions, bipartisan or otherwise.
2. Again in management terms, a board is not a necessity and is not desirable. Even if a board's role is carefully defined and its membership carefully selected, history strongly suggests that it is almost impossible to keep such a board from interjecting itself into the management of the organization which it stewards. While such interjections are occasionally useful, the likelihood is that they would end up confusing and debilitating

the authority of the agency head, creating conflict for the staff, and becoming another layer of management which adds little and detracts much. Furthermore, the composition of such boards becomes an issue in itself, and all too often breeds preoccupation with diversionary issues of balance, representativeness, or political fairness, rather than the ability of such boards to contribute to the success of the program.

3. Where boards attempt to manage programs directly without an authoritative manager (administrator, executive director) they have proved most often to be ineffective.

Thus, to the extent that management needs dictate the form of leadership, it is strongly advocated that a single commissioner be appointed and that the use of a board be avoided as neither necessary or desirable.

It is further recommended that the commissioner of SSA continue to be appointed by the President with Senate advice and consent. The commissioner should serve at the pleasure of the President, because it is felt that political and policy reality is such that a fixed term appointment would not assure any real "protection" against the strains and conflicts of the political arena, and would not really guarantee the continuity of leadership which is so widely hoped for. A term appointed commissioner in a hostile administration, or one lacking the confidence of the Congress, simply could not be effective.

The best prospect for achieving continuity and leadership stability lies in the appointment of top quality career people in the balance of leadership positions in SSA. The added flexibility now provided in the Senior Executive Service, including the combination of SES Career Reserved and SES General positions, and the authority of the agency head to direct the reassignment of senior executives "for

the good of the agency", is more than adequate to assure a responsive career staff, and substantially mitigates the need for political appointments in other than the commissioner's post.

The magnitude and importance of the managerial dimensions of the commissioner position are so great that the President should select a person of recognized management capability and experience in that position, and it would be desirable for the Congress to so stipulate in its legislation.

Returning to the idea of an SSA board, it is reiterated that such a board cannot be justified for management reasons. If, however, the Congress judges such a board to be necessary for other reasons, the following additional points are made:

1. The feasibility of any form of effective board is markedly less if SSA remains inside HHS. It is extraordinarily difficult to define the role of any board which would not seriously confuse the policy authority of the HHS Secretary, and there is the added risk that it would freeze out participation of the SSA Commissioner and the important policy formulation resources of the agency.
2. There is a concern that, if SSA is an independent agency, its Commissioner would lack the clout and resources of a cabinet department in dealing with other major elements of the Executive Branch in coordinating the "policy and politics" of the program with other principal interests--the Secretaries of HHS, Labor and Treasury, the Council of Economic Advisers, and the Executive Office of the President. If a board can help as a means of assisting and facilitating these important policy

coordination relationships, then it might have value. To meet this purpose, an advisory board appears to be a feasible model. Such a board would be composed of cabinet members, plus some public members who could serve to facilitate relationships within the Executive Branch. Or, it might be composed mainly of able, well respected public members who would create public confidence that balanced judgments will be made about the program, and the best interests of the public will be served. The SSA Commissioner would be a full member of this board and benefit from it as a somewhat more formal means for achieving governmentwide policy coordination. This form of board could also work with SSA as a part of HHS, but the need for it appears markedly less since the HHS Secretary and the top political officers would presumably serve the policy coordination role.

II. BUDGET AND FINANCIAL MANAGEMENT

A. Budget Formulation

SSA already enjoys an especially advantageous position in the formulation and review of its budget. Major benefit program and administrative fund requirements are provided by categorical social security taxes paid directly by both employees and employers, and are placed in a special Trust Fund in the Treasury Department to provide a safety reserve and to assure that the funds cannot be spent for other purposes. This assured reserve is matched in Congress by almost automatic permanent authorizations (subject only to normal Congressional authority to consider changes in authorization). The agency's administration and management expenses are also paid from the Trust Fund. While budget estimates are reviewed by OMB and by the appropriations committees and initially financed from general revenues, SSA costs are ultimately paid out of the Trust Fund. Thus, the Congress, in an extraordinary way, has committed itself to funding social insurance programs at whatever level of demand results from statutorily defined program criteria.

There are several improvements in SSA's budget formulation process that can be made which build on this stable revenue/authorization base.

1. A biennial budget

One of the serious management problems which characterize the budget process across the whole Federal Government is its heavy procedural overburden. In recent hearings in the House Rules Committee's special Task Force on the Reform of the Budget Process (chaired by Congressman Bielenson), many important witnesses stated that the idea of moving the Federal government toward a biennial budget had substantial merit and warrants serious further consideration. A number of those witnesses, as well as other sources including

NAPA's report "Revitalizing Federal Management," have recommended that one or more demonstrations should be undertaken with agencies or larger programs to test the feasibility of the biennial budget. SSA could become the basis for such a demonstration program because of the extreme reliability of its funding and authorization, and the relative stability of its program execution.

The managerial advantages which would result center around the potential to cut back dramatically on the costly staff time and effort in dealing with budget procedures and paperwork. This would be especially true in an independent SSA outside of HHS where the whole layer of departmental budget justification would be eliminated. Little would be lost by either OMB or Congress since program expenditures in the short run are closely predictable (through SSA's actuarial analyses) and administrative costs do not change rapidly from year to year.

2. Workforce planning

This area of management is now wrongly focused on use of detailed line-by-line personnel estimates shown in budget schedules, rather than on broad, forward-looking general planning for staffing needs. As a consequence, overly detailed reviews are conducted in HHS, in OMB, and in Congress. Yet one of SSA's most important management resources is its workforce, and the ability of the SSA Commissioner to plan and deploy that workforce is one of the most important tools for achieving management effectiveness.

Operating managers throughout government have long advocated major improvements in the latitude and authority given to managers to control this total workforce. An independent SSA could be given the following additional authority:

a. A shift away from submission to OMB and Congress of detailed position-by-position schedules of all positions required for future years. Instead, SSA would submit a Workforce Plan

which defines and justifies the total workforce requirement, and spells out areas of increase or decrease planned as a result of any changes in programs or administrative operations. SSA is particularly able to do this since it has a fully developed system of work-related personnel standards and work measures which tie staffing needs to workload.

b. Congress would be able to evaluate these plans as a total workforce estimate of need, related accurately to the real program needs which justify the workforce. Congress would accept or modify the plan and would need to refrain from acting on individual positions or organizational units.

c. OMB or congressional limitations would be shifted to limiting total dollars to be authorized, and would not be expressed in terms of either total numbers of employees, or total full time equivalents or work-years of staffing effort.

d. Within the overall total dollar limitations established by Congress or OMB, the SSA Commissioner should have flexibility to control the number of employees, the mix between permanent and temporary employees, the pace at which employees are added (or removed) from the staff, their organizational placement, and the grades and salaries (as defined by law and regulation) to be paid.

This revitalization of SSA control over its total workforce resource can add immeasurably to optimum use of the 82,000 employees which are SSA's greatest resource, for these reasons:

- o The substantial cost and workload burden of detailed workforce budgeting would be greatly reduced.
- o The quality and realism of workforce planning and management would be greater.
- o The authority and leadership of the SSA Commissioner in this critical area would be visibly enhanced.
- o Real cost savings can be realized because workforce can be more precisely matched to program needs and overstaffing eliminated.
- o Changes in staffing can be made more quickly and readily to meet changing program needs.

One important specific workforce planning element for the future which SSA should submit for congressional approval are needs for special authority or waivers of position limits so that SSA has positions available in which to carry employees who are in retraining programs resulting from the introduction of new computer-based systems and procedures which will occur in the next few years through implementation of the System Modernization Plan discussed in Section IV of this report.

Further improvements in personnel management systems and practices are discussed in Section III of this report.

3. Budget Oversight

Budget oversight would change only moderately for SSA in the various options for organizational independence. If independent but still in HHS, it would normally be expected that appropriate departmental scrutiny of the budget would continue unless the Congress deliberately denies in legislation the application of that oversight. This would not be likely if the decision is made to keep SSA in the

department in the first place. The addition of a social security board would mean that the role of that board would need to be spelled out in relation to both the SSA Commissioner and the Office of the Secretary. In general, a board might be expected to contribute best by confining its role to one of facilitating and participating in "front-end" discussions, but would leave the presentation and justification of the budget to the Commissioner.

In the case of an independent SSA reporting to the President, the present advantages or disadvantages of clearing the budget to the HHS office of the Secretary are foregone. SSA leadership would then deal directly with OMB and the Executive Office of the President. It is likely that the substance of the budget would be little different, because the importance and economic significance of the program means it is a priority for OMB and the President in any event.

In the case of SSA being set up as an independent government corporation, the Congress would need to make explicit decisions as to the budget oversight and accountablity it will demand. Organizational independence, even in the corporate form, does not change the need for political oversight and accountablility, and SSA as a corporation should still be subjected to the oversight of both the Congress and the Executive Office of the President. Some exceptions to this generalization will be discussed in other sections of this report dealing with specific management systems.

It is recognized that this process-oriented discussion of budget formulation is an element of broader kinds of concern about how social security programs fit into the overall budget strategy which deals with such questions as whether these programs should be off-budget, or whether they should be placed in competition with other federal programs in the congressional limits established through the

first and second Concurrent Budget Resolutions. Organizational independence is not sufficient in itself to justify any substantial relinquishment of critical policy and budget oversight. Nor should it be assumed that direct oversight by the Executive Office of the President will make budget oversight any easier or more sympathetic.

OMB budget reviews and its general approach to Executive Branch oversight are often the source of conflict with individual agencies, not only over budget levels but also over management systems and controls which can inhibit agencies' latitude and freedom of action. The NAPA report points out that, in serving short-term budget imperatives, OMB oversight can become shortsighted and can inhibit agency efforts to do intelligent longer term management planning, or to sustain its own management reform initiatives. Independence from SSA must clearly be based on the understanding that, while it will respond constructively to the President's oversight, it must be free to manage its own affairs, and strong enough in its management talent to make its own choices and carry out its own plans.

B. Budget Execution

After congressional passage and presidential approval, and the subsequent issuance of Treasury apportionment warrants and OMB apportionment, agencies like SSA are finally officially authorized to begin to translate the approved budget into internal implementation of programs. At this point, the budgets meld into agency program controls, financial management systems, and internal financial controls.

Budget execution is less policy and political and more managerial than budget formulation, and yet the best ways to improve SSA's budget execution rest primarily in the hands of the Congress.

There are two budget areas in which Congress could help SSA if it wishes to do so:

1. Reduction in Congressional "line-iteming" or micro-budgeting.

Over the course of years it has been evident that there is a tendency to accrete or accumulate surprisingly large numbers of specific detailed instructions or directions or requirements which the Congress imposes through authorizing legislation, appropriations language, oversight requirements or other means. Many of these specifics are obviously needed to define program requirements, but many others are constraints or limitations on administrative or management authorities or procedures. Others are requirements for reports or data.

The evaluation of an independent SSA is an ideal time for the Congress to reassess these detailed requirements and constraints, and eliminate those which are no longer necessary, or to simplify as much as possible those which must be kept. The advantages are twofold:

- o experience indicates that these requirements create a surprising burden of administrative process and paperwork. Each detailed requirement perpetuates itself and gets built into the system. This in turn leads to further tracking of these small details, and the related requirements for reports, statistics, expenditure statusing, and staff follow-up. Any elimination which is possible can pay off handsomely in reducing costly red tape.
- o Rigidities and blocks in the form of detailed procedures or limitations built into the budget process also reduce the flexibility of operating officials to exercise their own judgment and freedom of action for which they are presumably paid. Where managers believe they see ways to be more efficient or

cost-effective, but are constrained from doing so, their motivation for high performance is seriously impaired.

2. Thresholds for deferrals or rescissions

Part of the actions taken by Congress to reform its own budget process culminated in the Impoundment Control Act of 1974, which required agencies to report all impoundments, no matter how insignificant. The Congress had concluded that there had been significant under-reporting of impoundments under previous ground rules, and more stringent rules were required.

Now, 10 years after this legislation, GAO has assessed recent experience and has recommended that reasonable thresholds be established for deferrals and rescissions. This is a desirable improvement. The recent Supreme Court decision invalidating legislative vetoes has made the deferral provisions of the Impoundment Control Act inoperable. With the present concern over the effectiveness of SSA, it is an excellent time to review such actions as they relate to SSA and to provide reasonable thresholds where possible. The management concern is that stringent requirements for referrals to Congress have had a chilling effect on potential genuine savings in agencies through economies or management efficiencies, or productivity improvements. Provision could be made in any legislation dealing with SSA to build back into the system incentives to encourage cost-effective behavior.

III. PERSONNEL MANAGEMENT

There has probably never been a more important time in SSA's history to plan for the future of its workforce and to strengthen the hand of its commissioner as the manager of that workforce.

There are few agencies in government which are more "people intensive" in character, or which will have to change more as a result of the impact of new ADP technology. The following kinds of changes can be expected:

- Processes for receiving applications for benefits, establishing eligibility, and computing amounts of benefits will be increasingly automated and automatic.
- Procedures for maintaining reliable lists of payees and paying out checks will be linked electronically and made more automatic (i.e. "paper free").
- Claims representative and service representative functions will be increasingly automated, more data will be in computers and there will be fewer person-to-person responses.

As these changes take place, there will be a high likelihood that the total numbers of people needed to administer SSA programs will decline--and this development will cause human problems.

At the same time, the nature of many SSA jobs will be changing. There will be a need for many more people who have computer skills, including the skills of development and maintenance of software and communications systems, as well as equipment capabilities. This means that, even among those employees not displaced, there will be a major need to retrain people in new skills, and to move people around to match changes in organization, job groupings, and skill mixes. Some of these changes may be geographical, as SSA seeks to realign its extensive field structure to take advantge of new communications potentials.

Another major change which SSA now faces is the need to master the challenge of managing its major new project for the implementation of its Systems Management Plan. In the next few years, this project will need a new style of disciplined control of a project of finite time duration which cuts across all existing lines of authority within the agency. While the computer aspects of the project will be centrally managed by the systems staff, it will force fundamental changes in the future management of most of SSA, and will require that all other line and staff elements rethink how they will respond. The Systems Modernization Plan must be the servant of line management, and cannot become another obtrusive system which ends up being an end in itself. And, as jobs change, SSA must have far greater latitude to define jobs peculiar to its own work and classify those jobs at levels which are realistically competitive with the private sector "market" for these talents.

As these changes take place, SSA employees threatened by job displacements have a right to as much help as possible in remaining employed with SSA through retraining or equitable internal competitions for dwindling current jobs or newly defined positions. In addition, however, the very speed with which change will happen and the more technical nature of new positions mean that it is very likely that SSA will need to bring new talent into the agency which has high technical skill and experience beyond the capacities which can be developed by retraining. This may be especially true in a few key senior positions because, under present salary levels, the Federal Government has extreme difficulty in being competitive for top talent in the computer/ADP industry which is one of the most competitive and best paying in the U.S.

Even without considering the major people-oriented challenges which SSA faces, it is apparent that there have been significant opportunities to redefine the

role of the SSA Commissioner in the arena of personnel management. The following sections, therefore, define a new "package" of personnel authorities which recommends some accommodations in regular personnel functions, and some special authorities which go to the heart of SSA's special needs.

A. Employee Recruiting and Selection

HHS has given SSA as much delegation of personnel authority as it can, subject to controls which are applied by the central Office of Personnel Management. The real limitations which constrain SSA recruitment and hiring stem from those central controls.

SSA has traditionally relied heavily on the hiring of numbers of college graduates into beginning positions as claims representatives and service representatives and for entry level talent in many other administrative and management positions. The quality of these initial hires can be very substantially improved if SSA people are able to personally recruit, interview and hire those people whom they believe will perform best in SSA. Timing has always been important in college recruiting, and the ability to make immediate job offers at competitive salaries often spells the difference between getting desirable or marginal people.

In recent years, a temporary system of filling entry level positions (caused by an out-of-court settlement of a lawsuit) has severely altered this preferred hiring practice. SSA is now required to concentrate on potential internal efforts to fill its entry level professional positions through "promoting from within" (out of the clerical staff) before it can move to hire college graduates. In addition, where college hires can be sought, they may only be hired under "Schedule B" authority, which is normally used for temporary hiring and which does not normally lead to permanent career status. Because of these limitations, SSA is

not able to recruit successfully among college graduates, and there is a perceived loss of quality in its entry level workforce, and, over the longer term, in the personnel who may be advancing into supervisory and management positions. For hiring into other positions in the workforce, SSA has done little or no recruiting of its own, and has had to select from registers of "walk-in" candidates furnished by OPM. OPM is charged with finding a governmentwide solution to the "Schedule B" problem described above, but this constraint is hurting SSA at a particularly unfortunate time in terms of its ability to tailor its staff for future needs.

At a minimum, SSA should be given authority by OPM to recruit, competitively examine, and select all SSA hires in positions for entry level claims representatives, service representatives, or other entry level positions normally filled by college graduates. If OPM is unable or unwilling to make such delegations, consideration ought to be given to special waivers for SSA from civil service statutes or regulations relating to the appointment and tenure of personnel which would permit SSA to set up a merit system (subject to the merit principles contained in the Civil Service Reform Act of 1978) which would provide tenure for employees similar to that of the civil service system, and which would permit interchangeability of employment without loss of tenure or benefits. This waiver authority can be given specifically to the SSA Commissioner to be exercised only on a showing of specific need, and only for five years, or until such time as general recruitment and hiring regulations have been redefined to satisfy the legal constraints of the court order.

B. Classification Authority

An important part of the total package of basic personnel authority is the control exercised over the classification of positions--that is, the formal description of the duties of a position, and the grade level justified by those

duties. Traditionally, OPM has maintained a governmentwide classification system which rests on standards for jobs prepared by OPM, and on classifications performed and approved by personnel experts. But in recent years, the basic classification system has failed to keep its body of standards current. Many are now obsolete, and there is a great and growing backlog of revisions to be made, or entirely new standards to be written for new jobs in government. In addition, the great range, variety, and growing sophistication and complexity of jobs all over the Federal government has increasingly thrown into question the accuracy and reliability of this huge centralized system as a means to describe positions effectively or permit fair and realistic grade levels to be established for them.

As the problems of the centralized system have grown, agency managers have been forced to point out the increasing lack of its reliability and the belief that personnel classifiers are not reflecting workplace and labor market reality. Line managers have become increasingly frustrated with the system, and feel that it fails to meet their needs. OPM has been reluctant to delegate authority for development of classification standards to agencies, feeling that the needs for central system uniformity and consistency outweigh the advantages of permitting agency managers to control their own personnel tools. In its report "Revitalizing Federal Management" the NAPA Panel disagreed with this view, and advocated a better sharing of the classification responsibility. It urged OPM to concentrate its efforts on the development of governmentwide standards, for the professional level positions (i.e. the "journeyman" positions) but to place more trust in individual agencies by delegating to them the authority within broad OPM guidelines to develop classification standards and to do position classification at all other levels within an occupation.

SSA is well suited to exercise this kind of direct classification authority. It is a very large employer in its own right and must maintain a substantial personnel staff. It has many jobs which are specific to its programs, and has superior knowledge of what the duties of those positions should be. Therefore, it is recommended that OPM delegate authority to the SSA Commissioner to develop classification standards for positions unique to SSA, subject to OPM approval. There is precedent for this in a number of other agencies, but it is most relevant that IRS was granted similar authority when it automated its programs and went to its present organization and method of operation.

An attractive option to consider would be for the Congress to authorize the SSA to undertake a major personnel test and demonstration program of the kind authorized by the Civil Service Reform Act of 1978. The concept of an overall test and demonstration program involving a broader range of management authorities is more fully discussed in Section VII of this report.

C. Management of SSA's Senior Executive Service

The best way to improve SSA management and achieve highly necessary continuity and stability of leadership is to make all of the principal positions in SSA other than the commissioner part of the Senior Executive Service, and then see to it that these positions are filled by the best, and most able, and most experienced people possible.

The Senior Executive Service is not yet five years old. It created new and more flexible authority for agency heads to reassign SES people, and it created a combination of Reserved positions which can be held only by career people, plus General positions which may be held by either career or non-career people. And, it authorized the development of executive bonus systems and a performance evaluation to link reward to performance.

The changes in statute were aimed at opening up the freedom of agency heads to manage more effectively their cadres of senior managers. Some agencies have been more effective in accepting and utilizing this authority than others, and there remain other opportunities to be realized in this area. The Civil Service Reform Act, for example, did not attempt to deal with the most important issue of executive compensation, except in the limited area of bonuses.

Five years of experience have shown where other improvements in the functioning of the SES are still possible. The following recommendations represent further substantial improvements which could be made possible for SSA:

1. Executive salaries: Great stress has been placed on the necessity for SSA to be able to bring stability and continuity to its leadership —and excellence as well—by being able to put top quality people into its SES positions. Recent increases in SES salary levels have done much to mitigate the disturbing rate of departure of top experienced career executives of only two years ago. But, SSA will continue to be heavily dependent on its ability to attract and retain exceptionally capable people in a marketplace competition with some of the best paying industries in the United States. Congress should, therefore, consider granting authority to the SSA Commissioner to pay a limited number of executives (perhaps 5-10) up to $20,000 per year in excess of the salary level of ES-6 without regard to the limitations of Section 5383(6) of the Civil Service Reform Act (which precludes compensation above that of Executive Level I). This authority would be exercised only where the Commissioner could show that an executive with urgently needed technical/managerial skills could be hired or retained only through the additional compensation.

2. Numbers of SES Positions: A principal control on employment numbers is exercised with respect to senior executive (SES) positions. OPM allocates these positions throughout the whole federal establishment. In HHS, a further allocation is made for elements of the department, and it is "competitive" in the sense that total demand for such positions may exceed the authorized number. Thus, SSA needs may be subordinated to the overall balancing act both in HHS and in government as a whole, and even granting good intentions, this kind of centralized allocation approach may fail to meet the genuine needs of a given agency.

Congress can consider the option of dealing with the needs of an agency more directly. There is precedent over many years in the statutory definition of the numbers of Executive Level positions, and levels authorized to agencies in their authorizing legislation. Another precedent is again shown in the case of IRS, where Congress, in authorizing a general increase in the numbers of GS-16 through 18 positions, directed that a specific number be given to IRS to buttress its top management cadre.

3. Executive development: A third major opportunity, but one perhaps not of direct congressional concern is executive development. Neither individual agencies, nor OPM for the whole Federal Government have adequately responded to the impetus of the Civil Service Reform Act by developing strong positive ways to develop the executive talent of the Federal Government and promote excellence through mobility as a

broadening experience, or by building executive skills of decision-making, risk-taking and innovation. Congress can address this issue at least in terms of language which mandates that SSA must develop and maintain an executive development program within its own ranks, including the encouragement of the most able and highly motivated people to prepare themselves to compete for SSA's future executive opportunities. While it would still be up to the commissioner to develop such programs, congressional recognition of this need would do much to give it the credibility and visible support which it now seems to lack within the Executive Branch.

D. Other Personnel improvements

1. Technical expert salaries: SSA, as well as many other agencies which must compete in the rich computer technology market, is often unable to compete for certain skilled technical people such as systems design experts, software/applications systems specialists, or contract management personnel technically competent to monitor contracts for sophisticated technology development. Therefore the SSA Commissioner could also be given special authority, similar to that advocated for senior executives, to pay up to an additional $10,000 a year without regard to the normal limitations defined in federal pay authority, and subject to a similar showing of need to hire or retain specifically defined skills.

2. Training and Redeployment of the Workforce: As the new Systems Modernization Plan is implemented it will be necessary to retrain and redeploy the workforce. In some cases, this latter may also involve geographic moves.

While normal operations must be continued, it will be important to permit persons to be retrained and to have adequate resources to conduct training. At issue will be personnel ceilings and dollars for retraining. No new authority for training will be needed, but SSA should move quickly to identify retraining needs as soon as possible, and develop proposals for congressional scrutiny which show where personnel ceiling special dispensations may be needed to carry employees through such retraining periods, or when extra funds may be needed to finance such programs. It is assumed that these needs can be fully justified in the normal course of congressional program and budget oversight and that they will be perceived as legitimate expenditures from the Trust Fund.

3. Labor Relations: SSA's labor relations would not be fundamentally different as an independent agency as compared to being a part of HHS. It might be significantly changed, however, if SSA were established as a government corporation, and if its employees ceased to be federal employees in the usual sense and thus no longer governed by the Federal Labor Relations Act and Title VII of the Civil Service Reform Act. The creation of a government corporation would presume the shift of labor-management to those laws and regulations which govern in private sector employment, and would undoubtedly broaden the base of issues—including salaries and the right to strike—over which employees might become entitled to bargain. The implications of such changes are very great; sufficient in themselves to mitigate against the feasibillity of SSA becoming any form of government corporation.

IV. COMPUTERS, INFORMATION RESOURCES MANAGEMENT, AND PROCUREMENT

A. Background

SSA is one of the largest processors of data and heaviest users of computers in the Federal Government. On the payments side, it manages the payment of monthly benefits to 36,000,000 people or 432 million checks each year, plus the related workload of determining eligibility and benefits. On the "input" side, SSA handles 380 million transactions each year in the process of recording earnings from W-2 forms and posting these earnings for subsequent use.

The cost to operate and maintain SSA's current data base and future revisions of it are estimated at $1.6 billion over the next five years. In addition, its Systems Modernization Plan estimates that $478 million will be needed in the FY 82-87 time period to modernize its total ADP/information processing system.

Furthermore, it appears to be almost the consensus of the General Accounting Office, the President's Private Sector Survey on Cost Control (Grace Commission), and other outside evaluators, that under past management systems and practices, SSA has not been able to cope adequately with its data processing needs and has been in a protracted period of ADP difficulties. The following assessment made in 1982, was reported by the Grace Commission:[1]

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[1] "Report on the Social Security Administration,"a report of the President's Private Sector Survey on Cost Control. U.S. Government Printing Office, Washington, D.C. 1983.

- In terms of its main processing needs, SSA's 1982 workload capacity was 2,000 hours per month. Its estimated total workload was 4,500 hours per month, and even its "critical" workload was 3,000 hours per month.
- In terms of its teleprocessing needs, its capacity was 410,000 input units. Its total actual demand was 700,000 units, and its "critical" needs were 620,000 input units.
- In its Data Operations Centers, which handle income reporting from W-2s, there was an estimated three year backlog of actions.
- More than 90 percent of its ADP hardware was, by comparison with more modern available equipment, judged to be obsolete.
- Its operations were considered inefficient, slow, labor intensive, error prone, hopelessly backlogged, and burdened with wholly inadequate software systems and internal work procedures.

The Grace Commission report concluded that "SSA ADP operations are close to collapse, through years of neglect and mismanagement."

The identified causes or symptoms of this massive management problem make it clear there has been a broad general failure of the total way in which SSA, and other elements of the Federal Government, have defined and controlled ADP management. The diagnosis of SSA difficulties includes the following:

- There has been a lack of firm, continuous, uninterrupted top management support--not only in SSA but in HHS.
- More than 90 percent of equipment had been allowed to become technologically obsolete. (New equipment has now been purchased and installed.)

- o Total ADP capacity is inadequate for total workload.
- o Applications systems and programs have grown obsolete and inefficient.
- o Workload backlogs have necessitated heavy investments of time and money in catch-up or fix-up efforts.
- o The systems have been heavily error prone, and further time and effort is needed to catch and correct errors.
- o There has been a lack of proper internal management controls, change control apparatus, data base management, and attention to user needs.
- o Lack of proper systems documentation has prevented effective operation and maintenance ("13 million lines of unmanageable patchwork code").

B. The SSA Systems Modernization Plan

Until recently, one of SSA's major shortcomings was the lack of an approved plan to revitalize and modernize its total ADP capability. A number of planning efforts were tried in the past and failed to come to fruition, apparently in large part because of the magnitude of such planning in itself, but also because of the enormous time and effort required to clear such plans throughout the rest of the Federal government.

In 1982, SSA finally was able to obtain approval of its current Systems Modernization Plan (SMP) which is now being implemented. The SMP is a five-year plan for total revitalization of the ADP payments system. Its estimated cost over five years is $478 million and it is divided into three phases:

Phase I--Survival

- o increase in short-term computer capacity
- o salvage and upgrade of existing software
- o upgrade of data communications links to eliminate backlogs
- o upgrade of some tape drives and introduction of some magnetic disk capability
- o new management controls and operating procedures

Phase II--Transition

- o software salvage completion
- o conversion of master files to magnetic disk
- o addition of intelligence capacity to field organization terminals
- o more increases in computer capacity

Phase III--Completion

- o a new payment system
- o introduction of data base management
- o completion of a full electronic communications net
- o advanced system architecture

The approval of the Systems Modernization Plan and the initiation of its implementation has been a vital first step in the long road to revitalization. Already, SSA's obsolete large computers have been replaced, and important progress is being made in upgrading its telecommunications links and replacement of its tape drives. The problems which have been encountered, and the magnitude of the tasks remaining are perhaps the best possible "case study" of the urgent need to recognize the importance of SSA as a management organization, above and beyond its policy formulation role.

Obviously this report is not the vehicle for intensive diagnosis of these very complex SSA problems, nor can it make very precise detailed analysis of SSA's internal management. What is apparent, however, is that SSA shares most of the characteristic difficulties which were identified and evaluated in NAPA's "Revitalizing Federal Management." Based on that report and other data, the following section evaluates potential management improvements which should be considered in legislative actions relating to the establishment of SSA as an independent agency.

C. ADP/Information Resource Management Reforms

1. External reviews of ADP/IRM Plans

Current laws and regulations give very substantial authority to GSA and OMB as central agencies of government charged with achieving the best possible use of ADP/IRM capabilities throughout government. These governmentwide authorities are primarily conveyed through PL 89-306, amendments to the Federal Property and Administrative Services Act (the "Brooks Bill"), and PL 96-511, the Paperwork Reduction Act of 1980. These statutes mandated the creation of the Office of Information and Regulatory Affairs in OMB, and directed agency heads to appoint information resource managers (IRMs) in their agencies. They also give to the GSA Administrator powerful central control over this IRM structure, as an addition to existing direct authority over all computer acquisition. In fact, it is the GSA Administrator who delegates authority to agency IRM's (not to agency heads) for all aspects of ADP information management. These IRMs are, in turn, responsible to the GSA Administrator for all activities defined under the statute.

The motive behind these statutes is clear; it reflects the strong concern that central agency authority be brought to bear to become the guarantor of agency performance and compliance with central uniform requirements and procedures

for the planning and implementation of ADP/information management systems, and for ADP acquisition. As the Academy report attempts to point out however, legislative mandates have given OMB, GSA, and inevitably, HHS, a big share in the total decisionmaking with respect to SSA's ADP management.

It is difficult to quarrel with the basic intent of these statutes, and the necessity for responsible governmentwide oversight of ADP/information management resources. Such concentration of centralized control however, has often led to "trade-offs" against the flexibility and managerial authority left in the hands of program managers such as the SSA Commissioner. The most important need for the SSA Commissioner is to use his computers to handle SSA's internal program data processing--to make eligibility determinations, compute benefits, process claims, and--above all--to get benefit checks out on time. SSA is an excellent example of an agency where ADP capability is heavily integrated with, and a critical element of, total benefit program management. It is not a separate service function. If the SSA Commissioner can be relied upon by the President to direct the agency, that official should also be competent to administer its ADP capabilities.

Options for greater IRM/ADP authority. If the Congress wishes to recognize the importance of the IRM/ADP responsibilities and their inseparable link to program success, it must consider options which mitigate some portion of external control exercised by HHS, OMB, and GSA. If SSA were established as an independent agency reporting to the President, it would avoid the issues of its relationships with the departmental level staffs. But whether SSA is an independent agency, or is given greater independence in HHS, there remain the more important authorities exercised by GSA and OMB.

Option 1. SSA could be given its own direct authority by legislation for IRM and ADP planning, and ADP for procurement.

Option 2. The GSA Administrator could be directed to make a full delegation of both IRM and ADP planning and acquisition authority to SSA as now permitted by law. This would leave GSA and OMB roles for policy oversight, planning approvals, and procurement oversight intact, but would not permit the GSA Administrator to withdraw those delegations in the future.

Option 2 should be seriously considered. It provides a more realistic delegation of authority directly to the SSA Commissioner. It would reduce HHS, GSA, and OMB involvement in specifics, but would permit those agencies to exercise their appropriate policy and oversight roles. While SSA is now, after a number of years, making significant progress under its new SMP, it should be recognized that this is not a static plan, but one which must be kept flexible and dynamic. The technology itself will dictate further future change. An agency like SSA could benefit very much from more direct authority to make changes more swiftly in the future than it has been able to do in the past.

2. Budgeting for ADP acquisition

The approval of the five-year Systems Modernization Plan was a critical management accomplishment for SSA, and it also provided OMB and the Congress with an entire program plan so that the full public cost of this crucial revitalization could be seen and debated. Congress has authorized the SMP, but it did not accompany that authorization with comparable financial backing. The NAPA report argues for greater governmentwide use of multi-year "life of project" funding; in the SSA case, it could have meant a full five-year authorization authority for the five-year plan plus a full five-year appropriation of

the estimated cost. Funds have been appropriated through FY 83 (and these funds are appropriately "no year" funds), but critical appropriations for the balance of the project in fiscal years 1984, 1985, 1986, and 1987 are still not assured and will be subject to the uncertainties of four additional congressional appropriations cycles. If Congress is willing to do so, a multi-year appropriation of funds to complete the balance of the SMP would add great certainty to its implementation because it would assure funds for contract management, hardware purchase, systems design costs, and new software development. Through this funding certainty, SSA could be helped to keep to its tight time schedule, and avoid costly time delays or cost increases occasioned by untimely appropriations.

3. The policy of effective procurement competition

A bill entitled "The Competition in Contracting Act of 1983," which was introduced in the Senate last year, sought to revise the procedures for soliciting and evaluating bids for government contracts. This bill is in accord with the Administration's policy to increase the level and effectiveness of competition in government contracting. It would permit agencies to prepare specifications which will obtain effective competition with due regard to the nature of the property or services to be acquired.

The real issue is a policy one: should specifications for new computer acquisitions be written so that any manufacturer can bid, or may they be written so that a sufficient number can bid to assure effective competition, even though some companies cannot bid? The issue stems from the fact that agencies like SSA with large complex ADP systems are already heavily committed to some specific software language or applications systems which are not compatible with some computers. Any process of defining and justifying acquisition requirements is extraordinarily expensive and time-consuming. Such a process is however

extremely more complicated if it must aim for "full" competition (i.e. any manufacturer can bid) in order to meet GSA and congressional requirements. The Grace Commission points out the cost and time loss which this broadening entails, and the consequences which might follow if a winning bid required that SSA replace not only its hardware, but the basic applications systems and internal procedures which are an integral part of its whole management structure. As the Grace Commission stated, "Never again should SSA find itself in a position where every facet of its operation needs to be replaced at the same time."

Use of the concept of effective competition rather than full competition would permit swifter procurement and avoid potential serious disruption of SSA's existing ADP system without abrogating the fundamental concept of competition in federal procurement, and the Congress can make clear that SSA would be authorized to pursue this course.

D. Other Procurement Issues

SSA is entering into a new, more complicated, and in many ways more sophisticated era in its management role. The addition of new program authorities in recent years (SSI, black lung, etc.), the increase in volumes of procedural actions, the multiplication in the numbers of field elements, and especially the challenges of the technological revolution in automation and electronic data transmission, are all demanding more management from SSA leadership than ever before.

Other things are changing as well. There is an increasing demand for cost effectiveness in government. It is not sufficient for an agency merely to cope with its responsibilities. In an era of tight budgets, every agency must meet the test of delivering quality service but at minimum feasible cost to the taxpayer. In this environment, increasing attention is being given to alternatives for effective management which might not have gotten active consideration a few years ago.

One of the inevitable consequences of the implementation of SSA's Systems Modernization Plan for the revitalization of its ADP capability is that SSA must now learn how to become an effective manager of private sector contracting. SSA has already selected a systems integration contractor to plan, organize, and direct systems design and development, computer acquisition, systems installations and testing—all activities which will be done in full or in part by private companies under contract.

In addition, government policy over the last 10 to 12 years has shifted substantially in the direction of more careful explorations of where the work of Federal agencies can be carried out by the private sector. This trend, combined with other approaches which seek to shift administration of programs to state or local governments, is causing many agencies to rethink whether they continue the traditional sole reliance on public employees in the performance of the public's business.

Finally, budget pressures and growing taxpayer concern for the cost of government, the complexity of government procedures, and the burden of federal red tape are properly forcing greater attention on the need to streamline all federal processes and procedures.

The federal procurement system has not escaped the general trend toward managerial overburden and overregulation which characterizes other management systems. As SSA increasingly enters this new era of greater private sector contracting opportunities, it is an ideal time to link the prospects for reform of its procurement system to the initiative to determine how SSA should be established as an independent agency.

Based on its report, "Revitalizing Federal Management," and its assessment of the general intentions of federal procurement reform, the National Academy of

Public Administration believes that the following improvements in SSA procurement authority and systems should be examined:

1. A-76 determinations.

Traditionally SSA, like other federal agencies, performs the great bulk of its work through a staff of civil service employees. Like most other agencies, SSA has authority to enter into contracts with private sector companies to provide goods and services.

In recent years, many public agencies at federal, state and local levels have been examining more closely the potential to place out on contract to the private sector activities now performed "in-house" by its civil service work force. In the Federal government, the policies for considering such options have been defined by OMB Circular A-76, which also specifies in detail the process for estimating the cost-effectiveness of contractor performance of a specific activity versus federal in-house performance.

The Office of Federal Procurement Policy has estimated that there are many instances where converting to contractor-operated activities can save large sums of taxpayers' money without reduction in performance. In recent years, this potential for cost saving has led to increasing Executive Branch emphasis on initiating such A-76 determinations. The Reagan Administration, through its Reform '88 procurement reform program, has made such assessments a major management reform priority.

It is recognized that the idea of taking activities traditionally performed by civil servants and placing them in the hands of contractors is disturbing to employees and many managers. Nevertheless, where such determinations can be shown to be of benefit to the cost-effective management of SSA programs, any legislation designed to establish the independence of SSA from existing constraints must clearly provide for authority of this kind.

Those agencies which are experienced in the use of commercial contracting have demonstrated that it is perfectly possible to assure that federally-appointed officials supervise such contracts while fully protecting the public's interests, and keeping essential decisionmaking and financial controls in the hands of government officials. But it is desirable to establish clearly the policy view that reliance on the private sector is a valid alternative for SSA leadership where such reliance can be shown to be in the public interest.

Within this policy, SSA should be free to conduct the kinds of determinations spelled out in Circular A-76, even in work areas which have been traditionally performed by civil service staffs.

2. Procurement Overburden

The heaviest reviews and constraints on procurement matters for SSA appear to be those exercised by elements of HHS rather than GSA or OMB. For example, GSA has delegated authority to HHS for acquisition of ADP equipment and software up to a level of $10,000,000; but HHS in turn (after approval of overall program and computer acquisition plans) requires that SSA obtain pre-clearance of additions or changes to the basic plan which exceed $150,000. Any other contract in excess of $100,000 must be pre-approved by HHS, and departmental approvals for other categories of contracts are similarly tight: over $100,000 for sole source contracts; $50,000 for telecommunications contracts; $5,000 for audio visual contracts, and so forth. SSA can expect a round of clearances at the HHS level which normally includes its Office of Procurement, Assistance, and Logistics and also the Office of the General Counsel. When there are policy decisions needed as part of procurement (as for example certain socio-economic matters like equal employment goals, or environmental impact assessments), HHS clearances may become markedly broader and more

complicated. Even with the best of motives, this elaboration of departmental oversight acts to add layers of review, complicate each action, add to the long lead times required to reach decisions, and run up the cost to the taxpayer. But why can't SSA make these decisions for itself? SSA people are fully capable of reading and understanding the laws and regulations which establish the procurement system. If SSA people are competent to manage programs costing $200 billion each year, why can't they responsibly control their own management systems?

The nature of this discussion is such that it argues that there can be valuable enhancements of the management authority of the SSA Commissioner, and significant reductions in the managerial overburden if SSA is an independent agency reporting to the President, compared to an SSA remaining within, and reporting to the HHS departmental superstructure. However, it is within the power of the HHS Secretary to delegate greater latitude to the SSA Commissioner and to end micro-management overburden from elements of the department.

V. ADMINISTRATIVE SERVICES MANAGEMENT

Administrative services management is a general term which describes the management of an agency's land and buildings; the maintenance, repair and modification of these facilities; and normal office services like, heat, light, telephones, and physical security. In addition, it includes administrative support such as printing and reproduction, provision of supplies and equipment, and procedures to support official travel.

These services affect almost every employee in SSA. If these services are poorly provided adverse consequences are felt throughout its internal operations, and in turn by the general public which gets less effective public service. None of these kinds of activities are so complex or difficult that they are beyond the capabilities of any reasonably run institution. And yet, there is a history in the Federal establishment of serious concerns with all these functions. Study after study, audit after audit, has confirmed an astonishing fact: the preponderance of difficulties which have been complained about deal with overall government systems and controls, and not solely with problems within individual agencies. In other words, the provision of relatively straightforward administrative support services for a given agency seems to become less efficient, more costly, and definitely more time consuming when it is forced to become part of a government-wide management system.

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The logic behind such centralized systems as property acquisition, buildings management, printing, supply management and the others is that someone needs to mandate standard uniform procedures and best practices in these activities; that services can be more efficient if provided by a single government-wide service organization which realizes economies of scale; and that the government will benefit if purchases are consolidated and the presumed market leverage of "volume purchasing" is realized. In fact, the history of each of these functions has been the long-term inability of our present systems to realize these hoped-for advantages. If one looks beyond the management concepts and policies stated in law and regulation, and looks hard at how things really operate, the view is totally disturbing. Two very recent reports[2] in a long line of such assessments confirm these problems:

- Administrative services are too highly centralized and controlled by GSA and detract from the ability of agency heads to control their own operation.
- Such divided authority also weakens agency accountability for its own performance.
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- o These systems are all overburdened with duplication of effort, managerial inefficiencies, excessive paperwork, and unwarranted delays in long paperwork channels before even small actions can be undertaken.

For agencies such as SSA which are part of departments, these issues of duplication, paperwork and delay are compounded, since actions which must be processed and approved by GSA, or services which must be ordered from and provided by GSA, must also pass through duplicative channels at the department level.

There is little quarrel with the general idea that GSA should be the Federal Government's central authority to set management policy within law and statute defined by Congress. Nor is there much quarrel with the idea that GSA can serve as an independent evaluator of how well agencies comply with necessary policy, regulation, and audit. However, there is serious disagreement about the degree to which GSA has insisted on retaining control of operations—either as a direct provider of services, or through its detailed review and approval of individual actions. For many small agencies, it may be appropriate to have GSA provide their administrative services. It is difficult, however, to make the case that a large agency such as SSA should not be fully in charge of its own administrative services and fully accountable for them. For example, in discussing office space management, the NAPA report says: ". . . the consensus is that GSA has become far too operational and has insisted on controlling even minor building maintenance and renovation actions. It is hard to believe that only GSA can efficiently control the paperwork and contracting for thousands of minor work orders all over the United States, and the preponderance of evidence over many years indicates the weakness of this management approach. It is generally

irrational to believe that federal agencies, which control programs having outlays of more than $700 billion per year, cannot competently manage their own office space."

But GSA is not the only element to consider in the matter of delegations and controls. In fact, GSA can and does make delegations and is now making greater efforts to step up the pace of negotiating appropriate delegation to many agencies. Often, however, the limitations which constrain managers come from within their own departments. In many instances, HHS has effective delegations from GSA, but has failed to translate much flexibility down to its component organizations. In its procurement system, for example, it appears to be the department rather than GSA which places tight constraints on service contracts, consultant contracts, or relatively minor changes to previously approved major management plans and their related procurement actions.

SSA is a large agency which is very "people intensive" and "systems intensive"—that is, the quality of its program delivery is heavily reliant on the effectiveness of its internal systems and procedures and the effectiveness of its large workforce. To the extent that the management of administrative services is not under the control of the SSA Commissioner, the agency loses an important element of responsiblity in achieving program effectiveness, and is seriously hampered in its ability to make changes in its own operations.

In offering solutions to these governmentwide problems, the NAPA report and other assessments offer two main avenues for reform: delegation and competitiveness.

A. Delegations of Authority

GSA's enabling statutes already provide that GSA can delegate to agencies the power to operate these services for themselves, subject to proper retention of

GSA's overall authority to set policy and standards and assess performance. Experience dictates the wisdom of GSA making maximum feasible delegations of this operational authority to agencies such as SSA, and this same reasoning applies to delegations made by HHS. NAPA recommends at least the following delegations:

- o authority to own or manage real estate
- o authority to manage all aspects of building leasing, maintenance, repair, renovation, service, and security
- o authority to control its own utilities including telecommunications
- o authority to administer its supply system, including revised authority to use small purchase procedures for actions up to $25,000 (now authorized in a new statute) and authority to transfer personal property to or from other agencies up to $10,000 per action (vs. the present limit of $2,000)
- o authority to contract directly with private industry for printing and binding (instead of being required to funnel such contracts through the Government Printing Office)
- o authority to conduct its own travel management program.

All of these objectives except printing would be realized if such full delegations of authority were made by the GSA Administrator. The alternative would be to require such delegations by statute, or in the ultimate case, to give these authorities directly by statute to the SSA Commissioner.

Such delegations to the SSA Commissioner are desirable whether SSA is in HHS or not. The advantages for SSA are the same in terms of greater control and more opportunity to be cost-effective. In terms of duplication of effort and

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for the planning and implementation of ADP/information management systems, and for ADP acquisition. As the Academy report attempts to point out however, legislative mandates have given OMB, GSA, and inevitably, HHS, a big share in the total decisionmaking with respect to SSA's ADP management.

It is difficult to quarrel with the basic intent of these statutes, and the necessity for responsible governmentwide oversight of ADP/information management resources. Such concentration of centralized control however, has often led to "trade-offs" against the flexibility and managerial authority left in the hands of program managers such as the SSA Commissioner. The most important need for the SSA Commissioner is to use his computers to handle SSA's internal program data processing--to make eligibility determinations, compute benefits, process claims, and--above all--to get benefit checks out on time. SSA is an excellent example of an agency where ADP capability is heavily integrated with, and a critical element of, total benefit program management. It is not a separate service function. If the SSA Commissioner can be relied upon by the President to direct the agency, that official should also be competent to administer its ADP capabilities.

Options for greater IRM/ADP authority. If the Congress wishes to recognize the importance of the IRM/ADP responsibilities and their inseparable link to program success, it must consider options which mitigate some portion of external control exercised by HHS, OMB, and GSA. If SSA were established as an independent agency reporting to the President, it would avoid the issues of its relationships with the departmental level staffs. But whether SSA is an independent agency, or is given greater independence in HHS, there remain the more important authorities exercised by GSA and OMB.

Option 1. SSA could be given its own direct authority by legislation for IRM and ADP planning, and ADP for procurement.

Option 2. The GSA Administrator could be directed to make a full delegation of both IRM and ADP planning and acquisition authority to SSA as now permitted by law. This would leave GSA and OMB roles for policy oversight, planning approvals, and procurement oversight intact, but would not permit the GSA Administrator to withdraw those delegations in the future.

Option 2 should be seriously considered. It provides a more realistic delegation of authority directly to the SSA Commissioner. It would reduce HHS, GSA, and OMB involvement in specifics, but would permit those agencies to exercise their appropriate policy and oversight roles. While SSA is now, after a number of years, making significant progress under its new SMP, it should be recognized that this is not a static plan, but one which must be kept flexible and dynamic. The technology itself will dictate further future change. An agency like SSA could benefit very much from more direct authority to make changes more swiftly in the future than it has been able to do in the past.

2. Budgeting for ADP acquisition

The approval of the five-year Systems Modernization Plan was a critical management accomplishment for SSA, and it also provided OMB and the Congress with an entire program plan so that the full public cost of this crucial revitalization could be seen and debated. Congress has authorized the SMP, but it did not accompany that authorization with comparable financial backing. The NAPA report argues for greater governmentwide use of multi-year "life of project" funding; in the SSA case, it could have meant a full five-year authorization authority for the five-year plan plus a full five-year appropriation of

the estimated cost. Funds have been appropriated through FY 83 (and these funds are appropriately "no year" funds), but critical appropriations for the balance of the project in fiscal years 1984, 1985, 1986, and 1987 are still not assured and will be subject to the uncertainties of four additional congressional appropriations cycles. If Congress is willing to do so, a multi-year appropriation of funds to complete the balance of the SMP would add great certainty to its implementation because it would assure funds for contract management, hardware purchase, systems design costs, and new software development. Through this funding certainty, SSA could be helped to keep to its tight time schedule, and avoid costly time delays or cost increases occasioned by untimely appropriations.

3. The policy of effective procurement competition

A bill entitled "The Competition in Contracting Act of 1983," which was introduced in the Senate last year, sought to revise the procedures for soliciting and evaluating bids for government contracts. This bill is in accord with the Administration's policy to increase the level and effectiveness of competition in government contracting. It would permit agencies to prepare specifications which will obtain effective competition with due regard to the nature of the property or services to be acquired.

The real issue is a policy one: should specifications for new computer acquisitions be written so that any manufacturer can bid, or may they be written so that a sufficient number can bid to assure effective competition, even though some companies cannot bid? The issue stems from the fact that agencies like SSA with large complex ADP systems are already heavily committed to some specific software language or applications systems which are not compatible with some computers. Any process of defining and justifying acquisition requirements is extraordinarily expensive and time-consuming. Such a process is however

extremely more complicated if it must aim for "full" competition (i.e. any manufacturer can bid) in order to meet GSA and congressional requirements. The Grace Commission points out the cost and time loss which this broadening entails, and the consequences which might follow if a winning bid required that SSA replace not only its hardware, but the basic applications systems and internal procedures which are an integral part of its whole management structure. As the Grace Commission stated, "Never again should SSA find itself in a position where every facet of its operation needs to be replaced at the same time."

Use of the concept of effective competition rather than full competition would permit swifter procurement and avoid potential serious disruption of SSA's existing ADP system without abrogating the fundamental concept of competition in federal procurement, and the Congress can make clear that SSA would be authorized to pursue this course.

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All of these objectives except printing would be realized if such full delegations of authority were made by the GSA Administrator. The alternative would be to require such delegations by statute, or in the ultimate case, to give these authorities directly by statute to the SSA Commissioner.

Such delegations to the SSA Commissioner are desirable whether SSA is in HHS or not. The advantages for SSA are the same in terms of greater control and more opportunity to be cost-effective. In terms of duplication of effort and

paperwork, the greatest savings would be realized if SSA is an independent agency reporting to the President, because the departmental oversight would be removed as well. It must be said, however, that if HHS took seriously its obligation to free SSA from burdensome restraints, a case could be made that there is advantage in having the authority and leverage of a Cabinet Secretary to count on in dealing with GSA and the other central agencies.

The arena of printing and binding is, as always, a special problem in the Federal government, since it is controlled directly by Congress, and there is a special risk for Executive Branch people in arguing printing issues. SSA generates about $30 million each year in printing and reproduction. The immediate issue is not the policies and regulations of the Joint Congressional Committee on Printing, but the requirement that all printing (excluding most simple reproduction needs) must be sent to the GPO. Federal agencies, OMB, GAO, and other observers all appear to agree: GPO is the most expensive and slowest of all alternative ways for obtaining printing. The private sector printing industry is generally cost-effective, high quality, reliable and nationally available; and unless a given agency can show some specific in-house superiority, utilization of the private sector should be the objective of federal printing policies. As the NAPA report stated: it: ". . . printing in GPO appears almost always to exceed agency cost expectations, sometimes by as much as 100 percent. GPO routinely requests additional production time in order to accommodate its in-house schedule. Agencies thus feel that they receive excessively slow and uncertain service at prices which often exceed contractor printing prices."

GPO also handles printing contracting for agencies. In fact 75 percent of all printing goes out to industry through contracts which GPO totally controls. An agency such as SSA could easily do this contracting itself. It must indeed process

its own printing needs anyway, and when also required to go to GPO, the work is reprocessed there, which normally takes four to six weeks. Agencies are not permitted to deal directly with contractors and thus lose control over their own work, since GPO can and does overrule agencies and require them to accept work which they would not accept themselves. Congress should give an independent SSA its own authority to contract directly with the printing industry, subject to JCP policy and standards.

B. Competitiveness

Throughout the whole range of administrative services discussed above, there are numerous opportuniities to seek out and use competitive alternatives to services provided by, or controlled by, GSA. In buildings management, for example, service contracts have proved attractive for maintenance, cleaning, repairs, renovations, and security. SSA's large and widely dispersed field structure means that SSA must pay serious attention to its own service needs, but also offers many opportunities to take maximum advantage of highly competitive market opportunities in the private sector. If SSA is given these authorities, it might choose to use GSA-provided service (or GPO contracting services) but only where there is a competititve advantage in doing so.

C. Accountability

The proposals described above place greater direct authority in the hands of the SSA Commissioner and permit him/her to be more fully accountable for the actions of the agency. The role of GSA would change only in the sense that it would relinquish some degree of control over operating details, but would retain its role in policy, standards-setting and oversight over SSA performance.The GPO would no longer be the mandated source of printing or control of printing contracting. This is a fully responsible pattern of accountability, superior to the present more diffuse pattern of authorities.

VI. SUMMARY

As Congress makes its final decision about establishing SSA as an independent agency, it must decide what management authorities will be exercised by the agency. In the special case of the creation of a government corporation, Congress would need to be specific: it could either permit such a corporation to be fully independent of the kinds of management systems authorities discussed in this report, or it could address each of these authorities and make deliberate decisions as to which if any would apply. In the past, two general approaches to such decisions have been used. One is to say "all general laws and regulations will apply except . . . ." The other is to say "none will apply except . . . ." The attractions of government corporations have been of two kinds--first, that it will somehow be freed from the application of political or policy oversight; and second, that it will be freed from the "normal" administrative and management requirements and constraints which would not permit the corporation to operate in a "businesslike" fashion. But NAPA feels that SSA cannot and should not be divorced from political and policy oversight. In addition, the purpose of needed management reform is not to enable SSA to operate like a business, but to help it operate more effectively as a federal agency. Thus, NAPA does not support the idea of making SSA a government corporation, either as part of HHS or as an independent entity.

Another form of organizational independence which is feasible is to keep SSA in HHS, but to define for it a special set of management authorities legislatively conveyed directly to the SSA Commissioner, essentially bypassing the HHS Secretary and the normal exercise of the departmentwide oversight.

However, the fundamental decision is whether SSA needs to be a part of HHS, and that decision should not be made on managerial considerations. SSA

should remain in HHS if there are compelling policy reasons for keeping it there, or if it is clear that social security program interrelationships with other elements of the department dictate its retention.

In the SSA situation, the question is whether there are elements of management where the roles played by HHS are so critical or important that they compel the retention of SSA in the department. One of the principal elements of this question is whether HHS, in its oversight, provides a degree of accountability or enforcement which SSA cannot or will not achieve without such supervision. Very large organizations (such as the Internal Revenue Service and the Federal Aviation Administration) can function well and with considerable autonomy within departments. But the existence of large complex independent agencies such as the National Aeronautics and Space Administration, the Environmental Protection Agency, and the Veterans Administration, does demonstrate that such agencies can be effectively managed--and fully accountable to the President and Congress--without being part of a departmental structure.

Making SSA an independent agency reporting to the President creates substantial managerial advantages: it removes it from the administrative overburden which departmental oversight inevitably entails. It essentially requires the legislative authorization of a full and complete set of management authorities to the commissioner, and it makes the commissioner more fully and completely accountable for the performance of the agency.

No amount of legislation can create excellence in management. But the recommendations of this report would strengthen the hand of the SSA Commissioner, and offer better tools for management effectiveness for the future.

VII. A SPECIAL PROPOSAL: A TEST AND DEMONSTRATION PROGRAM FOR SSA MANAGEMENT

While many of the proposals and recommendations of this report deal with matters which are appropriate congressional considerations, others deal with the kinds of improvements which can and should be taking place within Executive Branch agencies on a regular basis.

There are vigorous efforts within the Reagan Administration to precipitate a broad range of management reform, and hopefully, agencies like SSA will benefit from these initiatives in the future. But in a sense, the very number of current reforms being conducted (including 2400 recommendations in the Grace Commission report) is a revealing commentary on the degree to which management improvement has failed to keep pace with dynamic changes taking place in federal management. The SSA's own ADP Systems Modernization Plan is a good example of the major efforts which are needed to keep up with that rapidly changing technology.

The failure to keep federal management current and effective is also a measure of the serious stultifications built into its systems, and the extreme efforts now required to achieve change. As the NAPA report stated it:

> ". . . attempts to change governmentwide systems have become highly complex, time consuming efforts to negotiate consensus among conflicting internal interests. And, because most programs have major impact outside of government, with client groups, state/local governments, contractors, and individual citizens, further broader consensus is often needed with these interests and the Congress as well. But, in fact, it has become almost impossible to negotiate change. Even comparatively modest changes are beyond the

managers' authority--and where change efforts fail, management systems have experienced protracted periods of neglect and potential obsolesence."

One of the solutions which the NAPA study recommended called for the creation of special "test and demonstration authority" to be given to one or more of the central agencies of the Federal Government, or to the line agencies themselves. This authority would be broad enough to permit major statutory and/or regulatory waivers for extended periods of time so that--under controlled conditions--new and innovative management ideas or techniques can be tried out, or improvements in existing procedures can be given a fair trial. There is a good precedent for this kind of authority in the Civil Service Reform Act of 1978 which permits the Office of Personnel Management to prepare plans for and to execute such tests.

NAPA proposes that the Congress consider giving special test and demonstration authority to the SSA Commissioner under which a formal plan would be prepared for the approval of Congress to undertake a five-year "Management Improvement Test and Demonstration Program which would incorporate improvements such as those recommended in this report, as well as others which SSA believes would enable it to modernize its management and permit it to achieve more effective program delivery. Such a program plan would be reviewed by other Executive Branch agencies to improve its quality and relevance, but its final approval would be given by the Congress. Progress under the plan would be reviewed as part of regular White House and congressional oversight with full opportunity for soliciting the assessments of OMB, GSA, and OPM as the test and demonstration proceeds.

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PARTICIPANTS IN DISCUSSIONS
ABOUT OPTIONS FOR THE
SOCIAL SECURITY ADMINISTRATION
AS AN INDEPENDENT AGENCY

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HELD AT
THE NATIONAL ACADEMY OF PUBLIC ADMINISTRATION
on
March 8 and 9, 1984

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